DOCUMENT RESUME

ED 293 394 HE 021 065

AUTHOR Jones, David R., Ed.; Anwyl, John, Ed.
TITLE Privatizing Higher Education: A New Australian Issue.
INSTITUTION Melbourne Univ. (Australia). Centre for the Study of Higher Education.
REPORT NO ISBN-0-949036-26-9
PUB DATE 87
NOTE 139p.; Papers presented at the conference on "Private Initiatives in Higher Education" (Canberra, Australia, May 21-22, 1987).
PUB TYPE Collected Works - Conference Proceedings (021)

EDRS PRICE MF01/PC06 Plus Postage.
DESCRIPTORS Administrative Policy; College Administration; Educational Finance; *Financial Policy; Foreign Students; *Higher Education; Marketing; Private Colleges; *Private Education; *Private Financial Support; Proprietary Schools; Public Colleges; Tuition
IDENTIFIERS *Australia; *Privatization

ABSTRACT

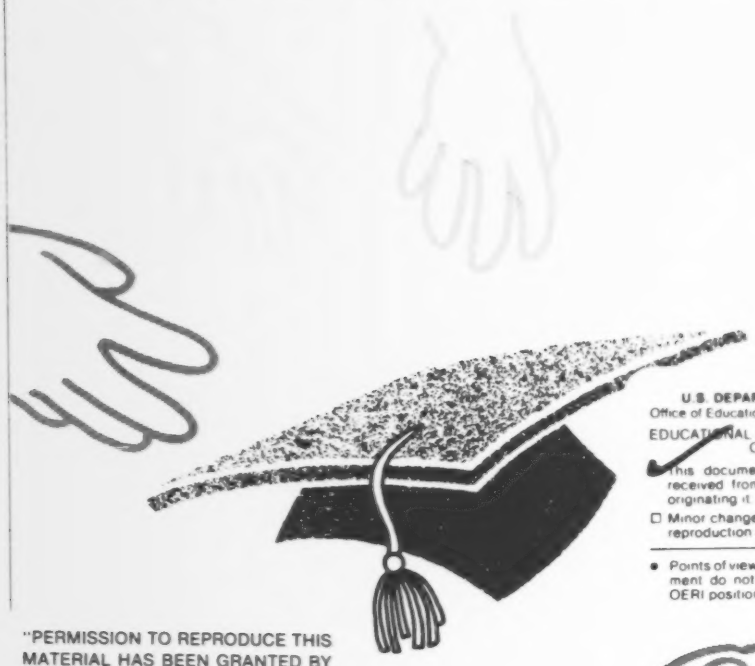
The papers in this collection deal with the concept of "privatization" in higher education in both the traditional sense of student finance and in relation to recent usage involving non-government funding of research, provision of full-fee places alongside free places in public institutions, the founding of a private sector in addition to the public, and the marketing of academic services to foreign students. The conference was organized by the Centre for Administrative and Higher Education Studies of the University of New England and the University of Melbourne's Centre for the Study of Higher Education. The following papers are presented: (1) "Private Initiatives in Higher Education" (Peter Karmel); (2) "Address on Policy" (Susan Ryan); (3) "Address on Policy" (Peter Shack); (4) "The Private Potential of Australian Higher Education" (Donald W. Watts); (5) "New Australian Policy Initiatives for Overseas Students: The IDP Experience" (Ken Back); (6) "Biscuits, Bicycles, and B.Sc's" (Roger Scott); (7) "Initial Plans for an Internationally Significant Private University" (A. John T. Ford and Donald W. Watts); (8) "The Hybrid Approach" (Rod Treyvaud); (9) "The Australian Predicament in Comparative Perspective" (Roger L. Geiger); and (10) "Concluding Summary: Emerging Themes in the Discussion of Private Initiatives in Higher Education in Australia" (David Beswick). (KM)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

ED293394

Privatizing Higher Education: A New Australian Issue

Edited by David R Jones and John Anwyl



U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

☑ This document has been reproduced as received from the person or organization originating it.

☐ Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

"PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY

University of Melbourne

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

The University of Melbourne 1987

HE 021 065

PRIVATIZING HIGHER EDUCATION

A NEW AUSTRALIAN ISSUE

EDITED BY
DAVID R. JONES
AND
JOHN ANWYL

CSHE, THE UNIVERSITY OF MELBOURNE, 1987

PRIVATIZING HIGHER EDUCATION: A NEW AUSTRALIAN ISSUE

Edited by David R. Jones and John Anwyl

Copyright remains with the individual contributors

Camera-readied by D/L Word Services, Armidale, NSW.
Printed and Published by The Centre for the Study of Higher Education, University of Melbourne, 1987.

IBSN 0 949036 26 9

ACKNOWLEDGEMENTS

The editors of a collective volume based upon the proceedings of a conference must inevitably have many people to thank. First, all the speakers at the conference on "Private Initiatives in Higher Education" for their efforts of preparation and presentation, and for revising their papers for publication in this volume. Next, all of those who attended at University House, ANU on 21 & 22 May, and helped to make the conference a stimulating experience. Finally all the members of the Centre for the Study of Higher Education, University of Melbourne and in the Centre for Administrative and Higher Education Studies, University of New England, who helped out, and especially V.L. Meek, G.S. Harman, J. Weeks, and G. Swafford of UNE, J. Julian, T. Makin, and A. Pottage of Melbourne. Lynn Meek's editorial assistance was invaluable. Our thanks also to D. Meek of D/L Word Services.

CONTENTS

INTRODUCTION		JOHN ANWYL AND DAVID R. JONES	IX
CH. ONE	PRIVATE INITIATIVES IN HIGHER EDUCATION	PETER KARMEL	1
CH. TWO	ADDRESS ON POLICY	SUSAN RYAN	13
CH. THREE	ADDRESS ON POLICY	PETER SHACK	19
CH. FOUR	THE PRIVATE POTENTIAL OF AUSTRALIAN HIGHER EDUCATION	DONALD W. WATTS	29
CH. FIVE	NEW AUSTRALIAN POLICY INITIATIVES FOR OVERSEAS STUDENTS: THE IDP EXPERIENCE	KEN BACK	47
CH. SIX	BISCUITS, BICYCLES, AND B.SC'S	ROGER SCOTT	57
CH. SEVEN	INITIAL PLANS FOR AN INTERNATIONALLY SIGNIFICANT PRIVATE UNIVERSITY	A. JOHN T. FORD AND DONALD W. WATTS	75
CH. EIGHT	THE HYBRID APPROACH	ROD TREYVAUD	97
CH. NINE	THE AUSTRALIAN PREDICAMENT IN COMPARATIVE PERSPECTIVE	ROGER L. GEIGER	103
CH. TEN	CONCLUDING SUMMARY: EMERGING THEMES IN THE DISCUSSION OF PRIVATE INITIATIVES IN HIGHER EDUCATION IN AUSTRALIA	DAVID BESWICK	119

INTRODUCTION

JOHN ANWYL
Centre for the Study of Higher Education, University of Melbourne

and

DAVID R. JONES
Centre for Administrative and Higher Education Studies, University of New England

This publication is derived from a Conference on Private Initiatives in Higher Education held at the Australian National University, Canberra, on May 21-22, 1987. Authors have revised the papers they presented there.

The conference was organized by the editors on behalf of the Centre for Administrative and Higher Education Studies (CAHES) of the University of New England and the Centre for the Study of Higher Education (CSHE) at the University of Melbourne.

Our purpose in staging the conference was straightforward. For several years privatization had been developing salience as an issue, but by late 1986 when our conference planning began it dominated the higher education debate. There was no parallel of this remarkably rapid issue emergence in higher education in our time in a comparable western country. There remains an element of unreality about its sudden appearance and rapid ascendancy; in the title we have given this publication we simply record the fact that privatizing higher education is a new Australian issue. The fast growth is largely growth in talk; at present substantial change and development are prospective only.

In so far as 'privatization' was used over most of the previous decade (and it was seldom used) it was mainly in the context of the recurring debates about student finance, especially living allowances, loans, and fees. The Whitlam Federal Government abolished tuition fees for first and subsequent degrees and diplomas in 1974 and during the Fraser Liberal Government (1975-1983) interest groups were periodically preoccupied about fees and loan schemes. By late 1986 privatization was entrenched in higher education jargon with usage extending to very different meanings including non-government funding of research, provision of full fee places alongside free places in public institutions, the founding of a private sector alongside the public, and the marketing of academic services to foreigners studying in

their country or ours. It seemed increasingly urgent to record and analyse some of the many meanings already acquired by this abstraction.

Higher education had a new phenomenon to address, and policy-makers in government, education, commerce, industry and the philanthropic foundations sought to know more about it. It was said, rather narrowly, that public and professional debate on privatization was crippled by ideology. We do not question the significance or necessity of ideological debate but we wanted to make available for use in that debate some scholarly analysis of recent Australian developments and proposals and some of the fruits of scholarly work on private higher education abroad. We hope to inform and assist the vigorous young Australian debate. We wanted to put on record what various protagonists were talking about, place it in the context of Australian social-political relationships, and identify possible consequences of policy ideas.

We invited a panel of speakers who could contribute overseas and Australian expertise and experience. Professor Peter Karmel, Vice-Chancellor of the Australian National University and former Chairman of the Commonwealth Tertiary Education Commission focussed primarily on the issues related to tuition fees. Professor Roger Scott, President of the Academic Board of the University of Queensland, discussed the potential effects of privatization on public institutions. Dr Roger Geiger, of the Institution for Social and Policy Studies at Yale University and an authority on private higher education sectors in many countries, placed the Australian situation in a comparative international context. Emeritus Professor Ken Back, Executive Director of the International Development Programme created by the university vice-chancellors and advanced education college directors and principals, outlined the international activities assisted by that body. Professor Don Watts, then Vice-Chancellor of Curtin University of Technology and now President and Vice-Chancellor of Bond University (Surfers Paradise, Queensland); Dr Rod Treyvaud, Principal of the Northern Rivers College of Advanced Education; and Mr John Ford, Secretary of the Advisory Council of Bond University, discussed various examples of privatization with which they are involved. The then Federal Minister for Education, Senator Susan Ryan, and the then Liberal Party Shadow Minister, Mr Peter Shack, set out the Federal Government and the major opposition party's stances on privatization. Professor David Beswick, Director of the CSHE at the University of Melbourne summed up by addressing the emergent themes.

What follows is a contribution to the 1987 Australian debate on privatization of higher education. Unfortunately our conference plan did not include an expert who could inform us about relevant aspects of our own history. There is a story there yet to be adequately chronicled and interpreted - of a century or more of theological training in the affiliated colleges of universities but statutorily excluded from the secular universities; of advanced technical education under the auspices of philanthropists like Francis Ormond or of citizens inspired by utilitarian motives and by civic pride in the provincial mining towns; of quasi-tertiary

education and training, particularly in support of banking and commerce provided by profit-seeking private companies like the Hemingway Robertson Institute; and of the relatively small colleges established in many Australian states by religious denominations, essentially providing professional education for school-teachers.

Whilst there was some controversy about some of these initiatives, especially in the nineteenth century, it was not focussed on the issues which are keenly disputed in today's privatization debates. A relevant debate, scattered over half a century following the establishment of the universities in Sydney and Melbourne in the 1850s, arose from proposals to found associated denominational 'teaching' colleges, and later from the strength they acquired from benefactions. The propriety of accepting or soliciting non-government funds, and the influences of such money, generated lively controversies. In the twentieth century benefaction fell away and private efforts have been cumulatively small, overshadowed to the point of invisibility by the scale of public provision and hence non-threatening.

Understanding the sources of the push for privatization was an important task which needed to be tackled in order to estimate the strength of the movement, the range of meanings or strategies yet to be revealed, and the kinds of support or resistance to be expected ahead. Proposals came from entrepreneurs, economists, Australians, Japanese, etc. It appeared that Australian ideas were often derived from American economic thinkers and from the political philosophy and economic strategy of Britain's Conservative Thatcher government. The thrust in Australia was political; it did not arise from within higher education however much sympathy might subsequently have developed there for it. The public interest groups supporting it were largely from the political Right but political parties across the spectrum were all affected by it to some extent. It would have been appropriate to have provided a conference speaker to consider the political, social and economic circumstances of the nation which are the context of the national political and professional debate, and provide some explanation for the sudden and successful emergence of the privatization issue. The contemporary emphasis on profitability, efficiency and effectiveness, export income and on the size and function of the public sector is having an impact on many areas of government activity as well as higher education. We have not shown the unprecedented extent to which public policy debate is in the thrall of 'dry' economists. Whilst these matters will be known to an Australian reader, the gap in our approach remains serious.

As explained earlier, Australian experience and expertise in marketing education to foreigners is limited in scope and time. Warnings about the manifold problems of exporting education for profit are increasingly offered, but little yet can be based on direct experience. A future volume of this kind will have less excuse for largely neglecting to provide this reflection on experience.

Australian higher education has entered a new era - the era of privatization. So far there has been much talk and some but not much action. How far-reaching or evanescent this new driving force will be cannot be known. The implications for such basic higher education values as equality, excellence, autonomy, effectiveness, accountability and efficiency cannot be foreseen. We can learn from scholarly study of our own experience, informed by the scholarly literature now being developed in those parts of the world where developments we encompass in the term 'privatization' have a longer history and a larger role.

Today there is much concern about whether institutions should be public or private, whether tuition fees should be levied and if so token or full fees, whether selling degrees will debase them, and whether private money will hopelessly distort the legitimate ends of universities and colleges. In future years the concern may be about the interplay of private and public sectors, and about the legitimate scope of regulatory control of both sectors by governments.

Chapter One

PRIVATE INITIATIVES IN HIGHER EDUCATION

PETER KARMEL

Vice-Chancellor, Australian National University

Discussions of the role of the private sector in higher education are bedevilled by the participants' taking extreme and uncompromising ideological positions. The debate tends to be either one group's advocating that there should be no tuition fees of any level in any circumstances while the other argues that there ought to be fees determined by the full cost of operation of higher education, or of a dispute between those who are vigorously promoting private institutions with those who would prohibit their establishment. To assist in finding common ground, I shall first present a taxonomy of institutions of higher education. Then I shall concentrate on the place of fees in higher education, since the charging of fees is clearly a major way of shifting the funding of higher education to the private sector.

Higher education institutions can be classified according to their constitution, as follows:

government department
statutory authority
non-profit corporation
proprietary institution.

In some European countries, professors are civil servants and the institutions are administered more or less as government departments. In Australia, no one, whatever their ideological position, supports this arrangement. Until the establishment of Bond University all Australian universities have been statutory authorities, that is, independent corporations established by Act of Parliament, without proprietors and operating in the manner laid down by their founding acts. Nearly all colleges also fall into this category except for a few rather small institutions: teachers colleges run by churches, particularly by the Catholic Church. In the United States, institutions fall into each of the second, third and fourth categories: the best-known universities in the United States generally fall within the second and third categories, for example state institutions like the University of California or private universities like Harvard.

Higher education institutions obtain their funds from four main sources:

government grants
private contracts and donations
fees
endowment income.

As indicated below, distinctions need to be made within the categories of government grants and fees. Joining the classification of institution by constitution with that by source of funds, a two-way taxonomy results.

CONSTITUTION → / FUNDING ↓	Government Department	Statutory Authority	Non-Profit Corporation	Proprietary Institution
Government Grants — Block / Earmarked				
Private Contracts and Donations				
Fees — Nominal or Full Cost				
Endowment Income				

All categories of institutions could, in principle, obtain funds from from all the sources set out on the left hand side of the table. American universities, whether they are statutory authorities or non-profit corporations, obtain income from all categories, with government grants being partly federal and partly state. In Australia, our institutions, which are statutory authorities, derive funds principally from government grants, although some of the older universities have now diversified their funding to the point where only three-quarters of their income is in that category. For United States public institutions, government grants constitute only some 40% to 59% of their income.

In Australia, government grants are of two kinds: Large block grants that are made available to our institutions for general recurrent purposes (this is not characteristic of American public institutions, where line item

budgeting is common), and tied earmarked funds which are grants for specific purposes, research grants or contracts.

In respect of fees a distinction should be made between nominal fees and full-cost fees. Nominal fees are fees which do not bear a close relationship to the costs of offering courses. The level of fees in Australia in 1973, before they were abolished, was about $500 to $600 per annum for a full course (in present day values, $1,500-$1,800). This represented between 15% and 20% of the actual cost of running the institutions at that time. The student administration charge of $250, which has been much in the news recently, is of course a small fee, quite nominal and making a very small contribution to the cost of running the institutions. The distinction is important because in the discussion that follows the implications of proposals for nominal fees are quite different from those for full-cost fees.

It is also important to point out that in Australia endowment is relatively small: a university like Harvard has an endowment of some three billion US dollars which must produce a substantial income. Australian institutions, although they are statutory (not private) bodies, have endowments, but they are comparatively modest, and almost non-existent for the newer institutions.

In terms of the taxonomy, private initiatives in higher education can be considered vertically, by examining the non-profit corporation or the proprietary institution columns (a proprietary institution is one owned and run for the purpose of making profit); or horizontally, by examining the second row relating to contracts with or donations from the private sector or the third row relating to fees. If fees are charged the institutions will be funded, at least to some extent, by the users and the responsibility for funding will be shifted from the public to the private sector. Endowment income helps to make the institution independent: endowments usually stem from the private sector, but some universities have public endowments (e.g. the University of Western Australia has a public endowment of land).

This paper concentrates on fees, that is on the third row of the table; most of the rest of the Conference will relate to the third and fourth columns.

In the arguments about fees there are two main themes. First, fees may be imposed in order to raise revenue. The Minister for Finance's motive in advocating nominal fees is to reduce the impact of the funding of the institutions on the Commonwealth budget; if fees are levied, government grants to the institutions can be reduced by the same amount as the institutions receive by way of fees. This is a simple straightforward fiscal reason for charging fees. But many of the arguments for fees do not relate to this; they relate to the notion that the imposition of fees will improve the efficiency and effectiveness of the institutions. The first theme, the revenue raising aspect of fees, results in proposals for nominal fees; the second theme, the efficiency and effectiveness aspect, produces proposals for full-cost fees.

A few words about nominal fees. Traditionally, fees in public sector institutions have been nominal in amount. This was the case before fees

were abolished in 1974. If the imposition of the fee leaves the income of the institutions unchanged, the consequences are straightforward. The present Commonwealth Government's stance is that the imposition of the student administration charge ought to leave the position of the institution virtually unchanged: the present $250 charge, except for the retention of a small amount which may offset the administrative costs of collecting the charge, is returned to the Government.

Let us assume that a fee is imposed to raise government revenue but not to increase the income of the institutions. When fees were raised prior to 1974 any increase in fees collected was offset against the grant from the state government: institutions received no net benefit from imposing fees. If a nominal fee is imposed, there will certainly be some contraction of demand, because some people will find they cannot afford to pay. It is perhaps a matter of some surprise to discover the substantial effect the $250 charge has had on part-time enrolments in Australia this year: a decline of about 10% in part-time enrolments while full-time enrolments have gone up by about 4%.

Given that there is excess demand for higher education places, as is said to be the case at present, some people who are prepared to pay the fee will now be able to enrol. Thus some will obtain admission who are less well qualified academically but who can afford to pay. Since there are no extra resources being put into the institutions total enrolments will remain unchanged provided there is sufficient excess demand.

There will, of course, be some equity consequences. Unless concessions are made to poorer students the impact will fall on them. In the case of the $250 charge the students most affected have been part-time students, and particularly women part-time students. There will be no consequences of any moment for institutional management or performance because there are no changes in the incentive system. Some students may attach greater value to courses if they have to pay for them; if that is the case, it will be the principal real effect of such an introduction of nominal fees.

On the other hand, if government grants are not reduced by the fee revenue, it is likely that there will be some expansion in enrolments (provided that there is excess demand), because the fee revenue will yield resources to provide additional places. But each fee collected will not produce an extra place, because the fee will be well below the marginal cost of providing a place.

Thus some expansion can be funded by the introduction of nominal fees, provided that there is excess demand and provided that people are willing to pay fees or are assisted to pay them. On the other hand, if people are generously assisted to pay fees, there may be little point in charging fees at all. The Commonwealth Government's present policy of a $250 charge has, in fact, been associated with funding for an increase of some thousands in the number of places available.

It is important to emphasize that the effects of a proposal for nominal fees depend on the precise nature of the proposal; there are no broad generalizations beyond those already stated. For example, one could sug-

gest, as indeed I have done, that fees be imposed in order to provide funds to improve AUSTUDY arrangements; fees would be levied simply for redistribution from one set of students to another. This would have different consequences from fees levied for the purpose of saving the government money or of providing money for further expansion. Not a great deal more can be said about nominal fees, but, in general, proposals relating to nominal fees are unlikely to have substantial effects.

The second main theme in the case for fees involves the imposition of a level of fees closely related to the cost of running the institutions. The argument is that, if universities and colleges charge substantial fees, the efficiency of the institutions will improve and they will become more responsive to the preferences of students and, through these, to what employers require. Moreover, full-cost fees will bring about a closer relationship between cost and benefit. For example, it is argued that those who dropped out of studying this year because of the $250 charge could not have placed a very high value on education; indeed, since the main benefit of higher education is private (in my view, a dubious proposition), it is uneconomic to provide higher education at low or zero fee. Finally. a political argument for full-cost fees is that they will expand opportunities by allowing people, otherwise excluded, to buy a place in an institution of higher education. These arguments have been used by the present Federal Opposition in its higher education policy, although it does not appear to have proposed a full-cost fees system.

The arguments for full-cost fees are linked with criticisms of higher education institutions. We are told that the existing public universities and colleges are inefficient and inflexible; there are inadequate incentives to encourage staff and inadequate sanctions to prod them to better performance; academic staff have an easy life; the universities are the playgrounds of the children of the rich; words like "bludgers" and "rorts" are used; the institutions are not responsive to community needs; they produce the wrong kind of graduates; they demonstrate little enterprise; they have not the capacity or are not permitted to expand into profitable areas: they are not subject to market signals.

I must emphasize that these are perceptions; they are not documented facts. They are gross exaggerations, but they contain some elements of truth. Those of us who hold senior positions in universities and colleges know that, like our critics and the institutions with which they are associated, we and our institutions are not perfect. But we also know that our institutions are more efficient and much more responsive than a decade ago, and that pressures for continued improvement have been generated within them.

There are two main *a priori* arguments in favour of shifting to a market system in which fees related to costs are charged. The first is that the market model has certain optimal properties relating to the efficiency with which resources are used and the effectiveness of their outcomes; if there is a shift to the market mode, the advantages of these optimal properties will be gained.

The optimal properties depend on there being certain conditions obtaining in the market: active competition among a number of suppliers (universities and colleges), none of whom dominate the market (competition), a high level of knowledge on the part of consumers (students) about the services (education) the market is offering (in the extreme case, perfect knowledge); mobility of labour (academics), that is, workers can be readily hired and fired; access to capital for expansion of successful enterprises; mobility of consumers among suppliers. In brief, the optimal properties are realized only if the market works as in a theoretically competitive market. Moreover, there must be no externalities, that is, all the benefits of buying the service (education) accrue to the person buying it; there are no benefits accruing to society for which the consumer does not pay.

We know that these conditions do not hold generally; they certainly do not hold in higher education. Moreover, even if they did hold, the application of this argument *a priori* implies that we are not concerned about distributive implications; that is, it is a matter of indifference whether higher education is concentrated mainly on the sons and daughters of the professional classes and on those people who are fortunate enough to live in the "better" areas of our capital cities.

The second *a priori* argument is rather different: any government intervention produces worse results than no government intervention. The proposition is that, even if an untrammelled market produces undesirable results, these will not be as bad as the results flowing from government intervention. The reason is that public intervention is corrupting and that, if public funding is available, "all the snouts are in the trough". It is argued that, by their nature, the public sector and public enterprise are inefficient and bureaucracies proliferate. These are propositions, which I do not accept: they have more of a theological than a scientific flavour, but their proponents are many and they state them with force.

These *a priori* arguments are sometimes expressed explicitly, but are often hidden behind the various proposals that are being espoused. They are to be avoided. What we need to do is to ask pragmatic questions. We must spell out a particular scheme and then ask what will be the consequences of the scheme. Given the consequences, do we approve of it? Does the government or the community approve of it? Alternatively, we may set down the results we want to achieve and then ask what is the best way of achieving them.

There may be better ways of improving efficiency than the introduction of full-cost fees. It is difficult to examine the likely consequences of full-cost fees without setting down in detail the particular scheme proposed. The definition of full-cost fees is not straightforward: are there to be differential fees, charging, for example, twice as much for engineering as for mathematics? Is there to be a component for research funding built into the fees or do they relate only to teaching? I shall leave these issues aside today, but in the real world they have to be resolved.

What is certain is that a significant withdrawal of government support requires the introduction of substantial fees; for example, in the scheme emanating from the Centre for Policy Studies at Monash University (*Spending and Taxing - Australian Reform Options*, edited by John Freebairn, Michael Porter, Cliff Walsh; Allen and Unwin, 1987), grants were to be cut in half and made up by fees - implying an average fee level of about $4,000 per annum for a full course. The withdrawal of government support and the introduction of substantial fees will certainly result in a large reduction in enrolments. If the $250 charge reduced part-time enrolments by 10%, what will $4,000 do? The extraordinary thing is that many economists who advocate substantial fees seem to ignore or underestimate the elasticity of demand. Substantial fees will certainly reduce enrolments even if there is a loans scheme, because many people are not willing to shoulder large debts at present rates of interest for educational purposes. The proponents will argue that those who do not value education sufficiently should not undertake it, and that externalities of higher education will be covered by removing only 50% of government support. However, this is not the prevailing view in the industrialized West, which generally places a much greater social value on higher education.

The decline in enrolments which would occur from the Monash proposals would impinge with particular severity on people of lower socio-economic status. And it will hit the less prestigious institutions and the regional ones; on average, people of lower socio-economic status attend the less prestigious institutions, partly because they do not in fact achieve as well in higher school certificate examinations, and partly for geographical and other reasons. This result is likely to be unacceptable politically, on the grounds that there will be a severe reduction in social access to higher education. In addition, there will be a serious effect on geographical access; country institutions will lose students. Nor will governments be willing to set aside their interest in the manpower aspects of the output of graduates of higher education. The present pressure to expand enrolments in engineering and science is an example of government intervention. Moreover there would be conflict with policies to encourage young people to stay at school and proceed to higher education, rather than become unemployed.

More politically practicable are schemes for vouchers or free places combined with substantial fees. Let us postulate a scheme in which there are vouchers or free places equal to the present number of students. What will be the broad consequences? There will be some increase in the number of enrolments, because some less well-qualified fee-paying students will obtain admission who would otherwise not do so. The extent of the increase in enrolments depends on the level of excess demand, the elasticity of that demand with respect to fees, and whether those who wish to pay fees can obtain places in the kinds of courses in the kinds of institutions they want. If most of the excess demand is from people who have failed to obtain entry to law or medicine, charging fees may not have a great deal of effect.

In what ways will institutions themselves respond in this scenario? Will they expand courses in high demand like medicine or law, and contract those in low demand like many humanities courses, agriculture or forestry? This depends on the nature of the relevant labour and capital markets. No doubt there will be some responsiveness, but the degree of responsiveness will depend on the ease with which academic labour can be moved around and additional capital to expand facilities acquired.

Academic staff are highly specialized and the supply of staff in certain fields is relatively inelastic. Moreover, the existence of tenure, which makes staff reductions difficult, will inhibit the flow of academic labour. Tenure is an almost universal condition for employment in universities. In Australia (leaving aside the Institute of Advanced Studies of the Australian National University, which has relatively fewer tenured staff) something like 70% of full-time equivalent university and college staff are tenured, and the proportion of the more senior staff (senior lecturer and above) who are tenured is over 97%. Australia is not peculiar in this. In the United States of America, for example, according to recent figures, approximately 65% of the teachers in public institutions are tenured, and for associate and full professors the figure is over 90%. For a market system to work effectively, the incidence of tenure needs to be reduced. Many might support such a move but the reality of the industrial relations situation has to be faced. Moreover, in competing for staff, there is a high price to be paid for not offering tenure; competition for academic staff is not only among Australian universities, but against the rest of the world whose universities generally offer tenure in senior positions.

Present salary arrangements are inconsistent with a free market. I do not support these arrangements, which I believe need to be more flexible. But, as they stand, it is almost impossible for public institutions to pay attraction salaries in order to obtain additional academic staff. The capacity to operate flexible salary arrangements will be a major advantage of private institutions.

If institutions in high demand are to respond they will need access to capital. It may be difficult for many institutions to raise money on the market without government guarantees, but once the government is involved the putative benefits of privatization may evaporate. But suppose capital is reasonably accessible, so that there is some chance of expanding plant, what will be the effects on particular institutions? A prestigious institution like the University of Melbourne will face very high demand. It may respond by expanding its facilities, borrowing money to do so; if the high ranking institutions follow this course, some low ranking institutions will almost certainly face bankruptcy. Alternatively, a prestigious institution could charge higher fees and offer a better menu of courses, becoming more attractive. It is interesting to observe that the prestigious institutions in the United States do not grow indefinitely: Harvard is not a huge university. Such universities earn rents because they are in a favoured market position. That process does not create more university places; it creates select, high quality institutions. Institutions with low ranking

would almost certainly have problems in filling their class rooms; in particular, regional institutions might go to the wall.

A shift to a market mode would, to the extent that labour and capital markets permit, tend to diversify the product and diversify the institutions. It would tend to adjust course enrolments to student demand. It would act as a spur to academic efficiency and effectiveness. However, all these advantages would be limited by the state of academic industrial relations, by the fact that the capital market is not likely to be readily accessible to academic institutions, and by the lack of market knowledge and mobility among students. There is no evidence that students are greatly influenced by the objective assessment of the quality of the faculties of particular institutions. Certainly they are not highly mobile; indeed, there is a demonstrable lack of mobility among Australian graduate students, let alone among undergraduates.

Undoubtedly, some advantages would flow from a shift to a market mode. On the other hand, the higher education system would become much more unequal in terms of social and geographical access. Some institutions would go to the wall, and the geographical balance of the provision of higher education would be upset. In fact, I believe that governments would not allow this to happen, particularly if institutions or students in marginal electorates were threatened.

Government intervention might also be necessary for manpower reasons. For example, in a free market system, there would be an expansion in the number of places in medical schools. In circumstances in which medical services are underwritten from the public purse and medical schools make demands on publicly funded teaching hospitals, it is unlikely that governments will allow the output of medical graduates to expand greatly; at present Commonwealth and State Governments, as well as the professional bodies, are all pressing for restricting the number of places in medical schools. Another case in which governments might wish to intervene for manpower reasons relates to the current promotion of engineering and science, particularly in relation to women. If full-cost fees were introduced, fees for engineering and science courses would be higher than those for arts. This would militate against an expansion of engineering and science enrolments.

To sum up: the imposition of full-cost fees together with vouchers or free places has pluses and minuses. The minuses occur because the institutional structure within which higher education operates cannot be made to simulate an atomistic competitive model: academic labour is not mobile, institutions do not have ready access to capital, students are neither mobile nor well informed. Moreover, governments will not be able to wash their hands of the responsibility for providing access to higher education for the whole community, or for ensuring rising levels of skill in the work force. Nor will they be able to ignore the manpower implications of higher education.

In the real world the introduction of full-cost fees is unlikely to be the panacea some predict. Indeed, the effects on institutional management may

be quite small, unless there are radical institutional changes which are seldom spelled out by the proponents of full-cost fees; in particular, I have in mind arrangements relating to tenure, salary scales, and so on. A scheme of full-cost fees and vouchers could probably be made to work; but its effects on efficiency and effectiveness would be unlikely to be anywhere near as dramatic as those predicted by its supporters, and its consequences for social and geographic access and for the skills of the work force might be drastic.

I have attempted to present a balanced view of these issues. I am not opposed to fees *per se*. Indeed, I can see some merit in charging relatively modest nominal fees in order to assist the funding of an expanding system. What is modest is a matter of opinion, but a return to fees at the level of 1973 (which, although far from full-cost, might not be regarded as modest by many) would be equivalent to an indirect tax on the value of higher education of the order of 15 to 20%. In itself, this would not significantly improve the efficiency of institutions, but it would enable some expansion of the system and help maintain the quality of a system which, for a decade, has been starved of funds. Internal reforms, many of which are already under way, are much more likely to yield returns in efficiency and effectiveness: the periodic review of departments and faculties; the regular review of individual staff; a more vigorous and deliberate effort in academic staff development on both the teaching and managerial sides; more fixed term appointments; more flexible salary scales; arrangements for redundancy and early retirement with reasonable compensation; and a commitment to strategic planning whereby objectives are specified, strategies enunciated and results evaluated.

These reforms, with perhaps a nominal level of fees in order to allow the system to expand and maintain its quality, and some release from central regulation, seem to me to be a much better program for reform than one which postulates that the market will *per se* operate to produce more efficient and effective institutions if full-cost fees are charged. Finally, the kind of program that I have outlined is compatible with the government's responsibilities for balanced access to higher education, for equity in dealing with different social groups, and for the quality of the Australian workforce and the useful occupation of our youth.

The small scale and intimate setting of a conference at University House, ANU, allowed considerable freedom for questions and discussion at the end of each presentation. Brief summaries follow Chapters One, and Three through Nine.

Is fee-paying intended to produce, and does it produce, deregulation; will de-regulation produce the advantages of a market or merely its instabilities; quotas may still be required; vouchers of fixed value might reduce flexibility.

A continent-wide market seems unlikely, as Australian students are notably immobile, even within states and cities.

Overseas fee paying students in large numbers might bar Australians, which is politically unsound; should higher education be viewed as an export earner and ourselves as salesmen?

"Full" costs are dubiously calculated; programme variation, capital costs, etc., are all problematic, and without accurate costings discussion of likely effects is useless; charging "full" costs would presumably reduce the size of the system; WAIT engaged in a detailed costing exercise, finding great variation.

Loans and scholarships may serve policy purposes, aiding the poor, Aborigines, etc.

An increased state role has its uses, including increased local knowledge and the ability to compare and negotiate.

Private institutions may have a place in a public, fee-paying system if demand grows; privates would be regulated and, if previously successful, government supported rather than allowed to fail; they would probably attract few given cost and absence of tradition, therefore not destabilizing the system

Chapter Two

ADDRESS ON POLICY

SUSAN RYAN

Senator and Minister for Education

There has been some tendency to reduce the debate "Private Initiatives in Higher Education" to an argument about private versus public higher education institutions, parallel to the private versus public schools debate. Such an approach would be ahistoric; it does not represent an accurate view of the history of higher education in Australia and cannot provide an adequate framework within which to discuss our government's higher education initiatives.

The terms "public" and "private" in the higher education context need some comment. "Private" suggests profit making, independence of public funding, self-determined criteria for access.

We have had for over a century a system of higher education which, with some minor and passing exceptions, has been public. That is, our universities and later our colleges were established by legislation, have been funded for most of their purposes by public money, have been available to the public on the basis of academic merit, together with various institutional charges and at some periods partial tuition fees. As public institutions, they are accountable to their State legislatures for their overall policies and management of funds. Their chief executives are appointed by governing councils on which there are direct State government appointees; their academic and general staff are employed under State or federally-determined awards.

The tradition of institutional autonomy applies to academic matters and has generally been honoured in the observance by state and federal governments. As employers, institutions have not been exempted from provisions such as anti-discrimination measures or occupational health measures.

Public in all of these ways, our higher education institutions have always been open to private initiatives. Bequests by individuals, corporate support for chairs, fellowships and awards, research funds from industry, tuition fees from individual students or private employers have, at various times, added to the resources available from the public purse.

In more recent times, partly as a result of our government's policies, institutions have been able to earn significant amounts of money by undertaking research for the private sector, particularly since the introduction, by us, of the 150% tax incentive to industry for this purpose. They are also increasingly earning income from the provision of short courses and other specially designed packages for the private sector. Of all the private initiatives I have mentioned, the only one our government does not support is the charging of tuition fees for degree and award courses. All the others are encouraged by us and I believe such private initiatives will provide a growing and significant part of institutions' resources in the future. Public institutions are increasingly geared to attract private sector research funding, to take full cost overseas students, to export consultancies, teaching and other education services and to provide, on a profitable basis, many of the technical and managerial skills sought by industry.

Given these developments, there is no need for the development of so called private universities. The stated aims of the Bond proposal are to attract private money in higher education, to bring industry and education into a profitable partnership and to tap the market for wealthy overseas students. All of these things can be done, and are being done, by our public institutions. Similarly a range of tax incentives already exists to encourage private individuals and the corporate sector to support our universities and colleges. The question is how to get them to do it more systemically and more generously. The Bond proposal offers nothing new or constructive in these areas.

Before we decide what new initiatives we ought to explore, we should remind ourselves of the situation our historical pattern of public institutions has produced. The decline in funding and numbers in higher education has been reversed over the past four years. Since 1983 we have seen a steady, sustained growth in student numbers amounting to some 36,000 extra places. We have seen modest but important growth in capital and equipment funding and some improvement in the diversity and amount of funds available for research. We have also seen a reallocation of places among disciplines; we have achieved a 50% increase in places in science, technology, business, economics and engineering courses with a consequent reduction in less marketable disciplines. We have achieved through the Special Research Centres and the Key Centres for Teaching and Research a new emphasis on high quality research teams able to work with industry in economically productive areas. We have also seen, and this is of no small importance to us as a Labor Government, a marked improvement in access to higher education by disadvantaged groups, most notably Aborigines.

So why do we need a debate about new initiatives in higher education funding? I acknowledge that we do, despite our sustained growth. We have, for a number of reasons, including government policy and demographic and economic changes, a serious level of unmet demand. We have legitimate shopping lists from older institutions for upgrading buildings and equipment, and from newer institutions which are bursting at the seams. We have increasingly urgent demands from industry leaders for better and

more specifically qualified graduates and post-graduates and for more market-oriented research. We must ask ourselves how these demands can be met in a way that does not distort government spending priorities, does not increase the already too large deficit, does not increase existing inequities and does not place an intolerable burden on individuals or families.

As usual our political opponents have a few cliches to offer but no practical contribution to make. They offer such suggestions as vouchers, full tuition fees and the facilitation of private profit making institutions run by entrepreneurs. The voucher proposal is perhaps the silliest and has already been discounted by academic leaders because of its distortinq effect on the balance among institutions. With vouchers, there would be even a greater rush by students than there is at present for old, established universities at the expense of newer institutions. The net result would be the destruction of smaller, newer institutions - not a bad result for ideologies of the free market but certainly a disaster for national policy. Such a situation does nothing to address questions of geographical or regional access, or of diversity of programs. It ignores public investment that has already been made in those institutions and destroys the possibility of a system-wide response to national economic needs.

Full tuition fees with some sort of back up scholarship scheme is another favourite. I think it is accurate to say that the Australian electorate has shown no support at all for such a proposal. Such a proposal would only gain support if accompanied by an extensive system of scholarship and bursaries such as existed prior to 1974. The costs in both administrative and program terms of such schemes would balance out the gains; that is, they would need to be very generous if the scheme were to get the necessary political support. There is another proposal which appears to have some merit and has been on the Liberal Party's agenda from time to time: a loans scheme to cover the cost of tuition. Because that proposal has some apparent attractions in terms of equity I would like to comment on it. I recently spent some time in the United States assessing current funding arrangements for higher education. Not one academic administrator, whether conservative or progressive, elitist or democratic was sanguine about the loans scheme, or rather the series of loans schemes that have been implemented at State and Federal level in recent years

Under the Reagan administration, Federal grants for education have been cut severely. The only recent increase in Federal student support has been an increase in Federal student loans.

The costs of higher education are rising at a staggering rate in real terms in the States, that is at twice the rate of inflation. In a private institution costs can rival the cost of a small house for a four year program. In terms of annual price increases, the cost of energy has risen 0.4%, new cars 3.8%, food 3.9% all goods and services, 4.8% while higher education has increased by 10.6%. To study at Harvard now costs in the vicinity of $11,390 each year compared to $2400 in the early seventies.

The current situation in the US is quite critical - people are re-mortgaging their homes to pay for their children's education. Young people on

graduation have loans so large that they are unable to gain further credit, so that home ownership, for example, becomes impossible.

The default rate on loans is increasing. Out of a $5 billion loans and grants fund, the Federal Government pays out some $1 billion to the private banks to compensate for defaulted loans. Young married couples are coming into marriage with combined loans still to be paid off, of for example $50,000 US.

The loans system in the United States is neither efficient nor equitable. Financing alternatives are being explored as a matter of some urgency. A range of options is under consideration including parental savings plans, tax incentives and capital financing techniques.

In summary the result has been an enormous, often unbearable increase in individual and family indebtedness and a decline in participation by the less affluent, with a notable decline in black participation.

Again the Australian electorate, with their commitment to home ownership being the major financial burden they take on for most of their lives is hardly going to support any scheme which would in essence double that burden. Private institutions are the flavour of the month. The proponents of this solution like to point to America, usually Harvard, to persuade us of the desirability of such a development.

Proponents tend to forget that the US has a population of 240 million to educate, that Americans historically have been prepared to put a much higher premium on education than has been the case in Australia and that there has been a tradition of private institutions in the US for as long as there has been a public system. Also, no new private institutions are being established in the United States. In fact many private institutions are in crisis and some have gone to the wall. The only reason most of the older private institutions can continue is because of their large endowments and the fact that they are producing little or no capitalization at this point. Further, while in the late 1960s there were almost equal numbers of students in public and private higher education institutions, the numbers of students in private institutions has now fallen to only about 25% of the total. Virtually all the growth in higher education enrolments in the last 20 years has been in the public sector.

Despite the high level of fees, no private institutions in the US make a profit from charging tuition fees.

Harvard of course is not a private institution in the Bond sense. It has a private endowment of three billion dollars from which it earns substantial income. It accepts Federal and State aid and of course like most American universities has been and continues to be generously supported by its alumni. It is thus able to subsidize generously the students it selects. There are no Harvards on the horizon here.

At this stage the benefits of institutions set up in Australia by a private development and funded particularly through individual full fees would seem to be:

a benefit to a developer who can accrue profit through land value increases;

a benefit to individual staff (at least at the higher levels) who will be paid higher salaries than their counterparts in publicly funded institutions;

potential tax benefits to the investor by gearing capital and recurrent costs against other commercial enterprises.

But in educational terms what can such a proposal offer that is not already available in a reputable and established form in other institutions? The case has not yet been made. Australia has a population of 16 million people. It has 19 universities and two new university colleges aspiring to eventual autonomy. It has 46 CAEs and a large network of TAFE institutions, some 250 major institutions through which we are increasingly providing courses at the higher education level. The USA has a population of 240 million and some 3,000 universities and colleges. They are not, need it be said, all in the same league as Harvard. Some of their private and state institutions are the best in the world. I suspect that some of the so called universities at the bottom of the pile are the worst in the world; diversity perhaps, choice perhaps but on a scale Australia would be mad to emulate.

Japan, to whom we so often look for inspiration in terms of economic performance (although not social progress), with a population of 120 million has several hundred universities, some of which are seen to be elite and provide high quality and marketable qualifications. But there is a substantial gap in the perception of the Japanese themselves about the relative merits of their institutions to the extent that qualifications from those at the lower end have little value on the labour market or even on the marriage market.

In summary: there are things we can learn from the American or Japanese experience. Their capacity to attract private and corporate support for higher education does have lessons for us. Our pattern of development of public institutions has served us well, but the time has come for new initiatives. Resources must come from the private sector because the public purse is stretched to the limit. I would like to hear proposals for possible further incentives to industry to endow buildings, chairs, support scholarships and research. I would be interested to hear how the taxation system could be used to ensure that those who get the most benefit from higher education repay a fair share to the system. I believe that a well organized program of alumni support could succeed in a further redistribution from past beneficiaries to future students. It is time for creative and constructive thinking about the problems; cliches of the new right or the old left, or propositions that have no political viability should be crossed off the agenda.

CHAPTER THREE

ADDRESS ON POLICY

PETER SHACK

M.H.R. and Shadow Minister for Education

This conference could not have been held at a more critical time for higher education. As indicated in the May Economic Statement, which as you know wound back recurrent funds by $12 million and $24 million in the 1988 and 1989 academic years, government funding has reached its peak and is now sliding back.

Nor could the title of this conference - Private Initiatives in Higher Education - be more appropriate. It must now be obvious to all, even to the conservative thinkers in FAUSA and the FCA, that future growth in higher education will necessarily have to come from both government and non-government sources.

No longer is the involvement of private or market forces and money merely an option. It is no longer simply a diversion which can be treated like a long-term clinical experiment. It is now a matter of urgency and should be at the top of the agenda for every institutional governing body, Vice-Chancellor, Principal and Director.

I remember reading a very sharp comment by Professor Hedley Beare, in his Buntine Oration last year. His words, I think, fully captured the dilemma of education today:

> "Educators are being asked not only to stress the 3Rs, but also to observe the 4Es - efficiency, effectiveness, equity and excellence."

In a similar way the solution to higher education's basic problems can be encapsulated by adding a fifth "E": escape, escape from unnecessary government control, intrusion and regulation. Escape from dependence on government's capacity to pay, which will continue to be subject to pressures for substantial cuts in expenditure. Escape also from the limited vision and imagination of the 1970s, which encouraged the conservative and complacent belief that government, like Providence, would always deliver.

Professor MacKinnon, the Vice-Chancellor of Wollongong University, hit the nail on the head in an excellent article in last October's *Current Affairs Bulletin* when he said:

> "The dynamics of having the central government as the sole funder effectively links policies on the desired level of participation in higher education to the vagaries of the national budget."

Government has been playing God with higher education for too long. The objectives, directions, the structures and the systems are all showing signs of fatigue, frustration and terminal malaise. Paul Keating's Economic Statement signalled clearly the end of an era. Like the confused navigators of centuries past, we have reached the end of the flat earth and have turned back, rather than chart unknown waters and broaden our horizons. Any historians here will be aware that Keating's Economic Statement was delivered 200 years to the day after the First Fleet set out from Portsmouth.

As we face our Bicentennial it is time to once again show the same willingness and vision, to set out on a great mission to build a higher education system which is different, admittedly, but also better, larger, more vibrant and dynamic. It is time to leap out of the 1970s and plan for the challenges of the 21st Century.

In this regard, we can identify three major forces which will shape higher education over the next two decades. And, just in case anyone thinks a twenty year perspective is too great, let's remember that a student who commences his or her education in 1988 will enter higher education in the year 2000.

First, the pace of change is likely to accelerate still further. Secondly, the quality of human resources will become more important in the success of any economic activity. Education and training will be seen as natural and regular cycles of each person's career, rather than simply as a stepping stone between school and work. Thirdly, organizations in society are set for a revolution with the replacement of top-down thinking with bottom-up thinking. There will be a gradual transfer of decision-making power to the grassroots, and this will be a pervasive universal process.

The very first management task for higher education is to keep an open mind, to recognize that the educational function will not be immune to the wider reorganization of society, and to resist the temptation to defend the present - at any cost - simply because the future is unknown.

Education and the economy

As a nation at risk of assuming Banana Republic status, we are beginning to reassess positively the relationship between education and our economic welfare. Most importantly, perhaps, there is a growing realization that we are now paying the price for neglecting our investment in "human capital" in the past. We now face the threat of further falls in our standard of living, and a long painful process of rebuilding manufacturing in Australia and finding new niches in the global markets for our exports.

We will need to relie primarily on the quality of our human resources - their skills, their enterprise, and their versatility. This will be true both in the assembly line and the laboratory. Yet Australia lacks an education-intensive skill base. An important paper by the Economic Planning Advisory

Council last year found that, in comparison with other industrialized nations, Australia has:

> Fewer secondary students completing year 12 - and even the 48% retention rate in 1986 leaves us well behind the retention rates in West Germany, Sweden, Japan or the United States;
>
> Fewer graduates per thousand people than most other industrialized nations, particularly in technology and business-related disciplines, and inadequacies in the content of courses;
>
> A relatively low proportion of the workforce qualified to first degree level.

Without diminishing the importance of education's wider personal and social contributions, EPAC stressed that higher education had an important role to play in improving the skill depth of the labour force. To air again a modern truism, we need to work not only harder but smarter. Perhaps it helps to picture our economic future as a "brainpower-led recovery".

Today we see many skill shortages in strategic areas holding back our emerging industries. While many companies talk of the need to import skilled technicians, many of our brightest scientific minds are leaving Australia for more promising careers in other nations.

But we have a paradox. It has never before been as important to increase the number of people participating in higher education in Australia, yet we are spending less of our national income in this area than we were five years ago and, indeed, 10 years ago. Over the last decade higher education funding has fallen as a proportion of GDP and as a proportion of total government outlays, and the effects are there to witness on all campuses.

I don't need to go through the litany of figures detailed in the CTEC's *Efficiency and Effectiveness Review*. I am sure you're all familiar with them. But let me draw particular attention to the run-down in equipment, and the estimates of 50% and 20% obsolescence in CAEs and universities respectively. You will also be better aware than I am of the urgent problems being experienced in maintaining buildings and other essential services.

Now if we can't maintain the tools of trade or the "bricks and mortar factors" with current resources, we are also unable to cope with rising demand from prospective students. The transition rates for young people from year 12 have now fallen back to the levels of the mid-1960s at the same time that there is substantial unmet demand. This year some 14,000 - 21,000 qualified students had to be turned away. That's a dramatic rise from the 9,000 - 14,000 figure indicated by the AVCC and the ACDP last year. If the goal of 65% of secondary students completing year 12 is achieved by 1992, without a substantial increase in student places we may find up to 100,000 being turned away each year because of too few student places.

This is a natural consequence of the Government's drive to raise the number of students completing year 12 without taking the necessary steps to widen opportunities in higher education. I think it's fair to say that this is the sad bottom line of what has become known as "Priority None".

At the core of today's problems, as always, lies the question of where the money will come from. We are now in a climate of falling real government spending - and I think that is a long overdue and most welcome development. This pressure for reductions in government spending can, of course, present to some people Woody Allen's choice between "despair and disaster". If the reductions continue within the straitjacket of current government policy, then the concern about efficiency and effectiveness may well become counter-productive. Frank Milne made this point quite well in a paper in 1984:

> It would be ironic if government cost-cutting, motivated by a desire for greater economic efficiency, created an even more inefficient and costly system where, on balance, the direct cost savings were outweighed by a fall in the intellectual benefits.

The point we must acknowledge is that there are very few direct savings which can be achieved in the higher education system. No doubt there are some areas in management and administration where marginal savings can be made, but the CTEC *Efficiency and Effectiveness Review* had a clear warning about trying to force blood out of a stone. That is the central concern I have with the cuts announced in the May Economic Statement.

The challenge to government, and the challenge we have accepted, is to accept that higher education is mature enough to leave the nest. Government should, like any concerned parent, continue to send money to make sure that institutions have a firm base from which to launch their own income-raising activities. But the time has surely come to accept that institutions must be set free to plan, operate and grow - without the constraints of government.

Briefly, let me explain how the Liberal Party plans to allow institutions to re-gear themselves for a more independent life. The starting point for the Liberal Party's policy development was an understanding that higher education must be dramatically expanded, and that this cannot happen unless there is a significant increase in overall financial resources. Yet the traditional solution - more money from the government - is naive and inadequate. In the medium term, perhaps for the next decade, government spending will continue to be wound back. Although education generally will be a high priority for the next Liberal government, it is not possible to guarantee sustained increases in spending in this important area.

Our policy aims to at least maintain higher education spending in real terms in the next triennium, providing a stable financial base on which institutions can plan. We will be putting in place a solid floor, but there will be no ceiling to the money institutions can raise from their own efforts. The sky will be the limit. This will not only increase the overall resources

in higher education, it will also free institutions from the slow encroachment of government intrusion and control.

Professor David Caro, in his final convocation address as Vice-Chancellor of Melbourne University, said that the intrusion of governments had reduced the ability of universities to be self-governing, and threatened their independence. Professor MacKinnon saw the future as " more intrusions of the federal government and the loss by universities of more and more of their current limited autonomy". This would be true only if the present structure of higher education, characterized by increasing centralization and prescription by government, is maintained. To maintain the present centralized structure is itself denying the inevitable future; to increase any further the role of government would be nothing short of disastrous.

The Liberal Party sees the future shape of higher education as autonomous, demand-driven institutions largely freed from artificial constraints imposed by government. Our *Growth Plan for Higher Education* is a blueprint for the restoration of institutional autonomy. First, we will lift those prohibitions and regulations which limit activity and opportunity. Secondly, we will increase the capacity of institutions to earn or borrow funds from the wider community, without in any way jeopardizing their continued access to Commonwealth direct recurrent and capital funds. Thirdly, we will withdraw government from many areas of institutional decision-making.

We look forward to institutions determining their own admission policies and staff policies, choosing their own special interests and emphases, interacting with the community as they see fit, and assuming primary responsibility for planning their own future. Local decisions, in other words, will rest on local shoulders.

In a similar vein we are determined to restore true constitutional responsibilities wherever possible. The conflict and uncertainty between State governments - which have the constitutional authority for higher education - and the Federal government - which by agreement has the financial authority - will be progressively resolved. States will regain primary influence over the pattern of development of their respective systems. Many functions currently performed by CTEC or the Commonwealth Department of Education will be progressively transferred back to the States, and the Commonwealth will increasingly assume a co-ordinating and monitoring role. States, however, will need to be more responsible in their attitude towards the development of higher education, in order to avoid what John Anwyl has described as a slide "towards anarchy in higher education planning".

Another important issue in the next decade will be human resource management in higher education. Already there is some decline in morale among academics arising from salary rigidities and lack of advancement. If institutions are to attract and retain highly motivated staff, significant changes will be necessary in the conditions of academic employment. As a very first step we will dismantle the Academic Salaries Tribunal, to permit greater flexibility in salary scales.

However, if institutions are to become more flexible in meeting labour market needs, the problematic question of tenure will need to be seriously addressed by institutions. This is not an immediate priority but I think careful consideration needs to be given now to a new mechanism which both protects academic rights while permitting more flexible shifts in resources as needs and priorities change.

The structural reorganization of higher education which I have outlined must be complemented by a more competitive demand environment. The Liberal Party is committed to a more flexible allocation of free student places, and to restoring institutions' power to enrol additional students on a negotiated fee-paying basis. The 400,000 free places currently provided by the Commonwealth will increasingly be distributed to students as scholarships, awarded nationally on the basis of merit.

Institutions will be guaranteed 80% of their direct recurrent grants received in the year before the scholarship system is introduced. This will be guaranteed over the triennium, and will provide a stable and predictable base. The remaining 20% of funds will be in the hands of scholarship-holding students.

In this competitive environment institutions will be free to accept as many holders of these higher education scholarships as they feel fit. The HES will necessarily be redeemable at the institution of the students' choice and renewable annually based on academic performance. They will be sufficiently flexible to take into account part-time and external study.

There has been some concern that this system will see the larger and older institutions like Sydney University flooded with HES students demanding entry, with the smaller institutions starved of students and wasting resources. I think the contrary may well be true. Institutions like Sydney University are limited by physical constraints - indeed, they are bursting at the seams with existing student numbers. The excess capacity lies in many of the smaller institutions, and I think it is likely that we will see an overall increase in the efficient use of resources under this system.

The restoration of the power to accept additional fee-paying students, who have missed out on a scholarship, is long overdue. Arbitrary admission cut-off points carry great uncertainty about the real ability of those just above and just below the margin. At present students who just miss out have no second chance - they either gain one of the rationed free places or they're out in the cold. They have no opportunity to invest in their future knowing that their year 12 marks could have been better. It is time to restore this second chance, especially when it is offered on an unlimited basis to overseas students.

I ask you: what right does any government have to say to a qualified student, one of the 20,000 who missed out this year, that he or she cannot spend their own money to invest in their future? What right do we have to turn anyone away who wishes to take that risk and gamble on their own intelligence, skill and motivation?

Fee income will not by itself be a panacea for the financial problems higher education faces, and it is worth recalling that in the early 1970s this income totalled only some 10% of total university income. Nonetheless it is an option which should no longer be closed off.

An added competitive stimulus will come from the establishment of non-government higher education institutions. The proposed Bond University and the developments at Yanchep seem entirely sensible and the Liberal Party welcomes them. We are, after all, one of the few nations with a virtual state monopoly in higher education, and I agree with EPAC's conclusion that greater efficiency will result from competition both within the system and between public and private systems.

This broad package of changes will provide the flexible structures and incentives to ensure a steady increase of private dollars into higher education. We should recognize that private sources contribute less than 10% of total higher education income in Australia, compared with 40 to 50% in other industrialized nations. When we consider the endless myriad of possibilities for generating additional income from the private sector, institutions should understand that success in this area must come from them.

It would be a great tragedy if financial dependence on government was lifted, only to find institutions sitting back and waiting for CTEC to roll out the co-ordinating mechanism, yet again, to seek out and distribute private dollars. There will be some institutions which are quick off the mark, some which may even jump the starter's gun. They will be the ones which grow - and if any lesson can be drawn from the experience with private full-fee paying overseas students, the smaller institutions are likely to be the most entrepreneurial in the initial stages.

There have been some tentative steps towards closer links with business ... one academic commentator described it as moving "experimentally within feasible options, testing the water as we go". Let me highlight five areas where I see immediate possibilities:

1. The growing importance of R & D has been stressed in many reports. Recent years have seen a dramatic revival of the national effort, with a promising increase in private sector effort, but other advanced economies are moving ahead at a faster rate. The experiments in venture capital operations by several institutions are particularly encouraging but, as the 1985-86 report of the M.I.C. Licensing Board noted, our comparatively high capital gains tax is a disincentive to investment in these high-risk areas.

2. Greater efforts should be examined to promote regular industry-academic staff exchanges, which have proven valuable overseas.

3. Business should recognize the opportunities available to assist institutions in areas such as the exchange of equipment and facilities. In many overseas nations industry is providing on-site facilities to give students access to state of the art technology. Development of such

schemes in Australia could help offset the rising cost of maintaining current equipment while trying within limited resources to purchase new equipment.

4. There should be a gradual extension of cadetships, internships and other co-operative arrangements which combine theoretical training in institutions with practical experience in the workplace. This is a growing trend in many western nations and the achievements to date appear extremely encouraging.

5. Institutions should be more aggressive in seeking business sponsorship and investment in areas beyond research and academic consultancies. There have been tentative moves in accepting business sponsorships for newly-created chairs in specific areas but, based on overseas experience, there are broader opportunities yet to be examined. For instance, industry groups in the UK now top-up the salaries of many academics to maintain some parity with what they could earn in private enterprise.

Now those five areas are some of the easy ones. The networks of co-operation and mutual benefit are simply endless. Our broad vision for the future structure is an entrepreneurial institution, flexible and autonomous, with a network of reciprocal links with industry and the community. We look forward to institutions which thrive and expand in competition.

After all, if as a nation we want our young people to develop keen entrepreneurial talents then we need to ensure that the learning environment itself reflects and embraces the competitive ethos.

Success in the Future Depends on Planning Today

The elusive shape of the future makes traditional linear planning almost impossible, and today in planning policies and strategies we need to be flexible in case our projections are wrong. The communications revolution will radically change our social and economic structures, irrespective of whether the Third Wave hypothesis itself is proven true. No area of society will remain unaffected, and many traditions will be swept away in the path of change. Higher education will need to be at the forefront of change and act as a catalyst, and this will require significant restructuring of the system.

The Liberal Party's *Growth Plan for Higher Education* both repairs the damage of the past decade, and frees institutions to adapt at their own pace to new demands. It is a recipe for the necessary quantum leap in educational practice and management, and a recognition that maintenance of current arrangements will simply aggravate present strains and problems.

Early in January this year one college director complained that higher education was being driven back to the 19th century by present government policies. Institutions were, he said, being constrained like the colonies of old.

Well, I think that's a pretty apt analogy and I might expand it just a little in closing. There are two ways of facing up to the fact that the colonies are ready to govern themselves. The first is by working in co-operation to build the structure within which independence can be properly assumed. The other way is to fight to the bitter end to contain the independent spirit, to hang on to what's left for the sake of Queen and Empire. That, I think, is the sad story of CTEC and its attempts to hold on to a crumbling system of control.

The Liberal Party is determined to grant independence at the earliest opportunity so that, working with an assured base of government funding, institutions can look forward to the 21st century with a renewed sense of optimism and confidence.

The Minister and the Shadow Minister spoke in immediate succession. Questions to one or both of them ranged widely, and included the following.

When asked about the continuing support of overseas students, Senator Ryan said that subsidies would still permit less than wealthy foreign students to do expensive courses, but the past level of subsidy could not be offered. She did not believe that offering high-demand high-return courses at full cost to Australians was equitable; she noted that given the Australian tradition, a struggling private university might be bailed out by government; while not advocating a graduate tax, she noted that little additional tax is recovered from those whose education has been subsidized

Asked whether a 20% voucher, 80% block funding arrangement would be sufficient to stimulate market mechanisms, Mr Shack said we don't know, but the arrangement would allow experiment and assessment while continuing to support institutions. On the academic labour market and the place of unions, employer organizations, conciliation and arbitration commissions, etc., under the Liberals, he indicated that they would prefer individual institutional negotiations, differential salaries, greater numbers of contracts, and professional organizations as distinct from trade unions.

CHAPTER FOUR

THE PRIVATE POTENTIAL OF AUSTRALIAN HIGHER EDUCATION

DONALD W. WATTS

Vice-Chancellor, Curtin University of Technology, and Vice-Chancellor Elect of Bond University

This meeting is timely in that it coincides with the pains of the federal government's struggle to provide a philosophy for higher education on which to base its funding projections for the next three years. It is obvious that the government has reached the end of the line in patching up a system in which recent pragmatic decisions aimed at alleviating the worst symptoms of financial deficiencies have deprived the system of a coherent philosophy.

The binary system of higher education dating from 1964, seduced to a virtual public monopoly under Commonwealth funding in 1973, had a firm philosophical base at that time, even if the philosophy sat incongruously with other aspects of the Australian culture. In the past few years this public system has been changed by a succession of decisions, most of which are incompatible with its founding philosophy. No government, no matter how politically astute, could expect to graft onto the 1973 system such initiatives as the administration charge, fee-paying students, the overseas marketing of education, a private university development and a new university of technology without eventually admitting it was time to start again.

Higher education is no longer free. There is no longer a public monopoly. The rigidities of the binary system are inhibiting an efficient use of our existing investment in both human and physical terms. In addition, interdepartmental wrangling in Canberra involving education, foreign affairs and trade complicated by state and institutional differences, has produced an unmanageable match between the policies and procedures applied to the various categories of overseas students entering Australian tertiary education institutions.

The federal government's credibility with the education system, with the countries of Southeast Asia, with the youth of this nation, and with the electorate in general, demands a restatement of its higher education philosophy so that the system, as it is developing, is within the boundaries of this new philosophy.

To date the arguments for change to a system more dependent on private initiatives have been based largely on the need for funds that the government is not prepared to find for its public system.

One of the most recent expressions of this type came from Dr Don Smart[1] of Murdoch University. Dr Smart previously had opposed private initiatives within his own university. Perhaps it is not surprising that such a person in arguing for private initiatives could only find financial arguments and ignored the opportunity which confronts us to rethink the philosophical foundations of our system, thus recognizing the cultural advantages which could flow from a more deregulated system in which an acceptable level of fees, backed by scholarships and loans, underpinned a system in which private institutions had a respectable place. Don Smart stated:

> Enormous pent-up pressure has been created in Australian higher education in recent years as a result of a combination of factors including the dramatic increase in secondary retention rates, and associated burgeoning unmet tertiary demand by Australian students; the increasing demand for tertiary places by mature age migrants, aboriginal and other non-traditional groups; rapidly escalating demand in Southeast Asia for full-fee paying overseas student places at a time of acute Australian need for export income; a decade of serious neglect of federal funding for tertiary teaching and research; and the extremely serious and deteriorating state of the Australian economy and budgetary deficit.

Because of these features he concluded:

> I believe the only sensible choice to be an expansion with the intelligent and negotiated application of whatever forms of private funding seem beneficial, sensible and acceptable.

While financial reasons may be sufficient for some to justify change, they will not be sufficient for those who continue to believe that a system of education must have a firm philosophical base of the type established by the Whitlam government. Such people will defend the free regulated public monopoly no matter how impoverished it is and how badly it fails to meet the nation's needs.

Don Smart's unexpected conclusion is qualified by the need for private activity to be "beneficial, sensible and acceptable." One must ask, beneficial to whom, sensible to whom, and acceptable to whom?

It is too late to question the succession of private initiatives which have led to a system without philosophical coherence. A new coherent system based upon clear objectives must provide criteria upon which initiatives can be evaluated and accepted or rejected on principles which relate to education and not to the philosophical and social void of contemporary Australian politics which is slowly drawing the life from Australian higher education.

Evidence is strong that although Australia does appear to have a commitment to education, its delivery is flawed. On the one hand the central

purpose of educating the person appears not to underpin the system; in fact, the system has become all important. As such it has, almost exclusively, functioned within its own sphere, having little impact on other major areas in the Australian scene.

It is difficult to show where Australia has used education as a deliberate part of national policy since the proposals of the Martin Committee were backed by the Menzies government in 1965. Today, education is viewed too much as a part of social policy and is insufficiently related to our strategic and economic policies. This contrasts with the GI Bill after World War II and the Sputnik-sparked education revolution from 1958-66 in the United States, the recently planned "Modernization Through Education" programme in Singapore and the South Korean expansion in engineering and science education during the last decade.

For twenty years Australia has refused to recognize education as a major force in shaping national policy. The neutral position of Australian education in which general objectives not related to national economic needs have dominated philosophical discussions about the role of higher education and in which the institutions and the system have been reactive to often ill-informed student demand, can no longer be supported. In Australia, student interpretation of the demand pull for graduates is more often a rationale for enrolment numbers than is graduate push a tool for changing either the culture or the nation's capacity to perform. This slavish adherence to today's employment profile as the basis for the graduate profile for a different market five to ten years hence is damaging to our nation. It prohibits change and guarantees that migrant professionals will take the opportunities which should flow to our own youth in a system where education is permitted to take its rightful place as a dynamic force in social and economic change.

The Australian education system's reaction to technology reveals these flaws. The system continues to be reactive to technology itself and to the needs of the technological workplace. Yet at the national policy level, as expressed by both the departments of industry, technology, and commerce, and of science, it is clear that Australia's future is directly linked to technological advancement and industrial competitiveness. Initiatives at the institutional level are often strangled or, at the best, delayed in the bureaucratic overlay, while the remoteness of central control from the point of delivery makes federally initiated change impossible, even in the unlikely event that a clear direction could be determined. In this climate education is considered more a social service than a vital resource; a neutral servant more than an active agent of change.

Higher education has as its major purpose the provision to individuals of the opportunity to realize intellectual and creative potential through formal learning. A system is necessary to encourage institutions to provide a rational diverse service so that the sum of their offerings matches national needs and produces equal opportunity of access to all regardless of disadvantage caused by geography, economic circumstances, race, sex, or disability.

The two fundamental responsibilities of the higher education system are to serve individuals in achieving their many and varied educational and career objectives and to serve institutions by fostering institutional differences. Institutions can only meet national needs if they are allowed the freedom to change of their own initiative in response to emerging community demands.

In contrast, central bureaucratic procedures are increasingly driving education toward a system embodying a few sets of average institutions producing less imaginative and distinctly ordinary graduates. Australia needs innovative, entrepreneurial professional graduates.

It is difficult to imagine this spirit of risk-taking emerging in the graduates of institutions denied the spirit of adventure by bureaucratic control. What have we done to the excitement of education?

In regulated systems institutions are denied the freedoms to be innovative in creating change, a process in which risk is inevitable. Experimentation is a prerequisite of improvement. It involves risk, continuing evaluation and decisions to extend favourable initiatives and to terminate the unproductive. Controls remote from the point of delivery and close to the political centre reject risk and build in mistakes which in the end become part of the continuing inefficiency of the system.

There are problems inherent in the existing public system which relate to equity. They all relate to the premise that higher education should be free. Why should the wealthy receive the same gift as the poor? Could not the disadvantaged be better treated in a system where the wealthy paid a modest fee and the disadvantaged had access to scholarships? Why should a tertiary student become independent under AUSTUDY at twenty-five years of age when for all other purposes independence is achieved at the age of eighteen? Why should a student who makes a mistake and fails not be made to pay for a second attempt? Why do we allow overseas students to be educated in Australia at no cost to the nation, in fact to the benefit of all students, while Australian students are denied the same right?

This is by no means an exhaustive list of anomalies in the present public system. Some others will emerge in a discussion of the first of the avenues by which institutions could produce private benefits for all students. The major activity of all higher education institutions is the provision of formal courses. The significance of this activity and its potential to produce earnings demand a serious debate on a carefully planned strategy for the introduction of tuition fees.

1. Earnings Through the Formal Teaching Program

A prerequisite of any analysis in this area demands that we put behind us an era in which education has been seen simply as an element of consumption. We must look to education as an investment in human capital.

The concept of human capital has received only slow acceptance in economic discussion because for some it is offensive. It led to an identification of human beings as capital goods, as in slavery, and reminded us of the long political and legal struggle to rid society of indentured service and

to keep men and women free of bondage. There was an anomaly in that universal education was seen as the instrument of freedom and upward social mobility, and in this context a capital concept was seen to debase the hard-won values of humanity.

Others discredit the concept of human capital because some without formal education prove to have earning capacities greater than others with degrees and because some professions with low cost education, such as law, earn high salaries. Others attempt to define some courses such as those in the humanities as consumption, as they might mature-age education. In my view, the facts that other variables affect earning capacities and that there are difficulties in identifying the capital value of mature-age education do not decrease the value of the human capital concept. They may challenge conventional thinking but in a capital conscious society should we not put a capital value on such investments as general education and the environment? Long term, investments in both these areas will show both a public and a private return.

In Australia there is little private investment in higher education, except through income foregone. As a result few see education as a capital investment. The private benefits of higher education are easily documented. They accrue in terms of initial increased employment potential, wider opportunities for advancement once employed and greater capacity to earn. In qualitative terms the educated can expect enhanced quality of life. Private corporate benefits also accrue to companies when investment in staff skills increases the competitiveness of their labour force. More sophisticated accounting procedures one day may encourage companies to evaluate the capital value of their labour force and indicate the extent to which annual expenditure can protect such an investment from obsolescence. None of this denies the existence of public benefit or the justification for public investment. The argument is based on the level of private contribution desirable to achieve the objectives of accountability and incentive. It is also about not making the private contribution so large that scholarships and other public funding incentives fail to maintain acceptable standards in terms of equality of opportunity.

A recognition of the human capital value of education was fundamental to John Hyde's arguments for the general introduction of tertiary tuition fees during his parliamentary term as leader of "The Dries". He claimed that equality of opportunity could be achieved through the charging of fees aimed at recovering the full cost of an individual's education through a loan scheme under which repayment was guaranteed through special provisions within the tax system. Similar arguments have been made by the present Minister for Finance although his efforts have not led to a serious review of policies.

I believe that equality of opportunity can never be achieved under a system as described by either of these protagonists of change, although this does not deny that a logical argument can be made for some individual private costs supported by a loan and/or a scholarship scheme. I will return to these options later.

In respect to John Hyde's approach, I simply say that my association with many families without business experience and without previous association with higher education and training convinces me that for many the thought of borrowing, say, $30,000 a year for each of the six years of medical training, is unlikely to be seen as a realistic option. However, families with professional or privileged backgrounds certainly would see such loans as the cheapest borrowing of a lifetime. Under these conditions the medical profession certainly will become even more a place of privilege than it is today.

The only advantage I see in John Hyde's model is the identification of personal benefit and personal responsibility. It is true that a scholarship system of some type identifies personal benefit while at the same time it provides a real incentive to perform at school and to continue to perform in tertiary study. It provides rewards for achievement and, in that scholarships can be lost, will make the student accountable to the taxpayer who underwrites the system.

I reject the John Hyde model as the single answer. I accept that a continuing direct public investment is not only necessary but justifiable and indeed an appropriate recognition of the national responsibility to develop an internationally competitive, culturally sensitive educated populace. Public funding of higher education is part of our culture, political system and thinking, as it is with all developed Western democracies. However, there is evidence that no political will exists to make the public level of investment adequate to the task.

If private investment is necessary to meet adequately the recurrent and capital costs of education we must consider the two options available. The first is to introduce into Australia a competitive set of fee charging private institutions. As in the Australian school system, and for higher education in all other Western countries, some government contribution to the costs of running or attending these institutions is easily justified. Subsidies can be as capital or as recurrent funding, perhaps as scholarships or vouchers or as per capita grants, or a combination of all these mechanisms.

The second option is to seek a recurrent private contribution to existing institutions in the form of fees.

Legislation to permit both these options is necessary if the Australian education industry is to respond adequately to the challenges of the remainder of this century.

The value of the independent school system in Australia is clear. These schools set standards against which the public system must compete while private expenditure helps create a total school system of a quality beyond the capacity of government to fund. Private universities can, indeed must, play a similar role. Even if political dogma demands that no capital or recurrent contributions are made from the public purse to these universities, there are no logical reasons to deny access to AUSTUDY to students in these institutions. Nor are there reasons to deny the application of Commonwealth postgraduate awards to students, selected on merit, who wish to do their research training in private universities.

Arguments against fees in our public institutions concentrate on access. No one such as myself who has committed a life to education, is likely to see equality of opportunity as other than an aim of the highest priority. It is of course not the only objective to be met in constructing a system to deliver higher education. Additionally we must face the objectives such as quality, the development of personal responsibility, incentives, rewards and accountability.

The quality of institutional performance is related to resources and inevitably will be dependent on the political game of distributing the government budget in a climate of competing responsibilities in the face of demands for decreasing real expenditure by government. However, the quality of performance of any organization also is dependent on the extent to which it has demands placed on it by concerned customers. Education in Australia, in the absence of even a modest fee, provides no real contractor-customer relationship. The institutions simply are not accountable to a market. Students, the real market, have no incentive to question institutional performance. They are confused about the place of responsibility in our complex system of bureaucratic and political control.

It is vital to the quality of Australian education that government learns that the maze of duplicated and often competing bureaucracies in education has diffused responsibility to a point where even those in the system are in dispute over the major sources of weakness. More responsibility must be returned to the institutions so that their individual character and quality can be displayed in a genuine but modestly developed market in which some fees establish a partly commercial contract between the institution and the student. Today Australian bureaucracy and government pretend to provide accountability of the institutions. This role of the bureaucracy is an anomaly in that it is ill-equipped for the job, is not externally accountable for its own performance and lacks the capacity to judge the contractors and the consumers of education.

In Australia, bureaucratic control of institutional enrolments protects institutions and courses that in a deregulated market would fail to attract students. Is it wise to deny students their choice by remotely imposed regulation rather than by the processes of institutional planning? Is it not a waste of public monies to support unattractive programmes and encourage uneconomic diversification when natural market pressure could lead uncompetitive institutions to concentrate their efforts and seek quality, thus securing their competitive position, albeit with an income limited mission?

In commercially-minded societies almost everything has a price and thus a value. There is clear evidence that the Australian society does not understand the value of education. This is not surprising. Goods obtained by gift are difficult to place in an ordered system of values.

In this climate, the present government and, in particular, the Minister for Finance and his department, see education as an element of consumption within the budget. It is not seen in its true light as investment in Australia's future and in our future capacity to produce wealth, to be well governed and to function as a creative and law-abiding society. Each individu-

al and the government must be encouraged to see education as an investment in human capital and in the knowledge infrastructure of the country. If these attitudes are to achieve national credibility we must commence with a practical understanding of the principle at the individual level, through modest real investment in one's education, in addition to the personal investment which all educated people have always made in terms of income foregone.

All of this makes sense but can be acceptable only if a system is devised which guarantees a standard in equality of opportunity at least equal to that achieved by our two recent systems. To make comparisons is difficult, particularly as social experiments always involve too many variables and the quality of historical data seldom allows valid conclusions to be drawn. Gross figures have established that the move by the Whitlam government to eliminate fees made an insignificant difference to the social profile of those in higher education. A more detailed analysis would show that some groups, particularly women seeking a second chance, have achieved increased access at a time in which there was an abolition of fees. However, it would be a brave person who would suggest that this increased access was to more than a small extent due to the absence of fees. A multitude of social variables has affected the participation of women.

The most important variables which differentiate between the opportunities for entry into higher education for two people of equal inherent ability are:

(i) The social environment within the home and the attitudes to education expressed within the home.
(ii) The school experience in terms of the nature of interaction between teachers and the child and the child's response to the school system.
(iii) The attitudes of the child's intimate peers who are products of the home environment, the school and individual characteristics.
(iv) The capacity to maintain a student in full-time study. For a student leaving school this is a function of the family's financial position and for those seeking a second chance it is dependent on a complex of variables upon which I need not dwell.

The capacity to maintain a full-time student in respectable conditions under which successful study is an achievable aim is a most important controller of access. This capacity to live and study is the controller of access once the variables of preparation are put aside. I do not plan to discuss the failure of the tertiary education assistance scheme to solve this problem. It is encouraging that the Commonwealth government is addressing this through its new AUSTUDY scheme which progressively will bring the maximum living allowance to that offered to the unemployed.

Fees, provided they are reasonably assessed and are supported by a system of scholarships and loans and are tempered by a means test, will not make access for the underprivileged more difficult. Indeed, a plurality of scholarships aimed at special groups and the increased access funded

through this private investment, will increase the quality of public education and better meet the community's aspirations in terms of equality of opportunity. Australian society understands hire-purchase as a means of capital investment. As individuals they apply this understanding daily in their investment in a range of depreciating assets. Surely they can understand the value of a modest investment in the expanding asset of education.

Today I have insufficient time to expand upon the balance between fees as a proportion of real cost, the level and number of scholarships, the availability of loans, the system of loan guarantee and the method of recovery. These matters are both economic and political. To some extent the balance is irrelevant because the primary determinants of access are the other factors I have already identified.

There are four other points I must address. The first is the place of scholarships - the forgotten variable in the present debate on the re-introduction of fees. A plurality of scholarships recognizes that a range of achievements in potential students, in some cases measured against opportunity, is an essential feature of incentives necessary for scholarly achievement and is an essential feature of a system aimed at achieving equality of opportunity. Availability of scholarships is a necessary incentive to those who face life in the complex value system of their school environment. Scholarships, once earned, are a reward for achievement and an incentive for continued performance. To have earned the asset of a scholarship and to have accepted the responsibility of retaining it are valuable experiences in personal development.

The second point is that, except for those who fail through illness or other factors beyond their control, repeating students should be self-financed and loans should be made available to those who through belief in themselves are prepared to make the necessary investment. There is no reason why these people should lose income support. My reason for this differentiation is simple. I believe in the value of education. If an institution is able to accept the person then the country must support a fee-paying student in preference to paying the same amount to maintain that person in debilitating unemployment.

Thirdly, Australia must face the accumulating problems of continuing education. There is no doubt that fees must be charged to all who seek further education while employed. The responsibility for meeting the costs of this education must lie in a negotiated partnership between government, the employer and the employee. Tax incentives may be necessary to encourage employer participation and, depending on the final package and the manner in which costs are distributed, the employee contribution can be tax deductible. Such a partnership will recognize the three beneficiaries of this form of human capital investment. They are the employer, the employee and the nation.

Fourthly, the Department of Finance must be convinced that there is a diversity of second degrees and qualifications. Postgraduate research degrees, second degrees which are a first professional qualification, second degrees for women preparing for a return to the workforce and second de-

grees as part of continuing education are but four important categories. Each must be treated differently through any scholarship scheme if there is to be such a rational approach to education.

When fees and scholarships were eliminated, government forfeited the best mechanism for fine tuning participation in higher education. Legitimate desires to change the profile of participation can be best achieved through incentives built into scholarships of different value, either in terms of the extent to which they cover fees or in the value of the contribution made to the living support of the student. In the absence of scholarships, government is left with only the blunt instrument of bureaucratic control in shaping access and the profile of the graduate labour force.

In summary my thesis is that bright scenarios for higher education in Australia involve a careful introduction of individual private investment in the form of fees. Such a system must incorporate a scholarship and loans scheme. Under present conditions where the only private investment is in income foregone the evidence is that government, the sole provider, has not the will to meet either the necessary increased costs of participation or the capital needs of an internationally competitive system. The need to decrease government budget deficits and the competing claims of other elements of public expenditure will leave Australia deprived of the technological capacity in human terms to compete in the demanding international markets. The answer lies in a carefully planned and sensitive system which supplements public investment with private investment.

Introduction of a system of the type described will bring Australian students into a position of compatibility with the advantages offered to overseas students in Australian institutions.

Mid-1985 the Commonwealth and Western Australian governments adopted policies permitting enrolment in Australian institutions of private overseas students on a full cost recovery basis. Prior to this, at the beginning of 1985, the Western Australian Institute of Technology had made available one of its business courses in Singapore on a full cost recovery basis and a number of institutions had offered external courses. The WAIT programme involved a component of intensive study on the Bentley campus but was taught almost entirely offshore in association with the Marketing Institute of Singapore. Some external materials supplemented local teaching.

These government decisions were based upon a number of fundamental policy considerations that recognized education as an industry which not only had a role in the development of Australia's human resources and intellectual property, but also had an expanded role to play in Australia's international relationships and trade. There is no doubt that education is capable of becoming a significant earner of foreign currency.

Prior to these decisions Australian policy recognized that offering free places in the nation's institutions through scholarships and subsidized places for private students paying a visa fee, provided an important element of its foreign aid commitment. Also it recognized that both these programmes played a vital role in the development of understanding between

Australia and its neighbours which, in the long term, will catalyse the formation of commercial and trading links. It is not Curtin's intention to lower its commitments to these programmes.

The government's new policies on entry of full fee paying students extend the range of options open to institutions by participation in Australia's export of services in which education is included for the first time.

These decisions brought Australian policy in line with those of other developed countries, thus providing a significant path to overseas earnings in an industry with a well-established multiplier effect.

The WAIT Council's decision to have WAIT enrol full fee paying students in its degree courses on its Western Australian campuses was a logical extension of its existing activity in Singapore. The decision was based on a clear perception of the advantages which now flow to Curtin, to Western Australia, to all Curtin students, and, for overseas students, to their countries of origin.

The advantages to the institution were seen to be:

(i) The achievement of growth after a period of decreasing recurrent funding as a result of government control on the growth of publicly funded students and decreasing real funding per unit of student load. This new growth, through economies of scale, forecast increased quality.

(ii) Increased freedoms and a greater capacity to determine the future as a result of achieving a significant recurrent income from other than government sources.

(iii) A capacity to develop courses in Western Australia not presently available due to small demand and to stabilize other courses presently running at sub-critical size.

(iv) Expanded promotional opportunities for existing staff and provisions of new opportunities for a generation of potentially capable young academics who cannot obtain employment in a system which is stagnating because of almost total dependence on public funds.

(v) Expanded opportunities for staff and students to develop research and employment opportunities in South East Asia as a result of the enhanced international role of the institution.

(vi) Expanded capacity for capital development of the institution's greatest deficiencies, including lecture theatre capacity, library and computing facilities and in overcoming significant obsolescence of its general equipment base.

(vii) The development of a learning environment which will be culturally richer and better fitted to the future needs of all graduates.

(viii) A strengthening of the political situation by endorsing policy initiatives of both the Commonwealth and State governments.

(ix) An increase in private capital and recurrent sponsorship through establishment of a lesser dependence on government and an extension of the regional impact of the graduate body.

(x) An opportunity to test educational programmes in an intensely competitive international marketplace which emphasizes a contemporary international flavour in all offerings.

Despite the attractive nature of this new initiative to Curtin, its students and its staff, a rapid expansion in overseas fee paying students may be inhibited through a lack of capital. Successful marketing of education by Australia depends on access to capital under conditions not available through normal commercial borrowing. This restriction follows the Australian government's decision to provide absolutely no subsidy to a commercial activity in a market in which competitors from other countries are able to use their publicly provided base to subsidize their presence in the overseas student market. With Australian interest rates as they are special provisions will be necessary to establish viable commercial operations in our public institutions.

The policies and attitudes expressed by WAIT during 1985 and 1986 are totally endorsed by Curtin as, in co-operation with the Western Australian government, it seeks private sponsors who for commercial reasons perceive mutual benefits from the provision of capital for the expansion of Curtin's scale of operation in Western Australia.

Also, Curtin is seeking commercial partners in South East Asia who are prepared to build colleges as part of other developments and in which Curtin will offer its degree programmes. The Sungai Way group of companies has built the Sunway College in Kuala Lumpur which will offer two years of a selection of Curtin degrees, with the other year being taught intensively on our Perth campus over two successive Christmas down-times.

As suggested earlier, it must be emphasized that the provision of courses at full cost recovery to non-residents while qualified Australians are denied access to the same opportunity is anomalous. Also it is anomalous for government to condone the payment of fees by Australian students to private universities in Australia while denying public institutions entry into this market place. Governments without the political will to provide adequate educational opportunities either in access or in terms of capital needs and, at the same time, deny access to those with the determination and capacity to pass ultimately will be called upon to answer to those people deprived of opportunity.

2. Earnings Through Consulting Services

Australia has the advantage of a massive resource rich land mass and the disadvantage of a dilute professional human resource base and dispersed capital investment capable of meeting the research, development and professional needs of industry. Our future capacity to produce value-added earnings from our natural resources depends on partnerships between private industry, government laboratories and tertiary institutions. Universities and the institutes of technology are ideally placed in terms of their equipment base and staff attitudes to participate in partnerships and contracts which diversify income applied to scholarly and teaching

responsibilities of the institution while providing a creative input to the problems of industry.

Although institutions have a responsibility to make staff and equipment available to industry through consultancy, there are dangers which must be recognized. High ethical standards are demanded from public institutions which participate in the private consulting market.

It is my view that:

(i) Simple repetitive professional services must be discouraged if a healthy private market exists for that service. On the other hand, provided all aspects of the human and physical resources are costed fully, there are no barriers to participation in what otherwise would be a monopoly market or where the service is dependent on a unique human or physical resource.

(ii) Once the service sought involves creative research or development there are less stringent barriers. Reasons for a more open access to the research market are based simply on the low potential of private companies in Australia to resource their own research and the often superior human and physical resources embodied in the institutions. I find it interesting to note government criticism of the private sector's research potential. There is no doubt that a long history of Australian governments' insistence on an in-house research potential has neglected governments' role in developing the private research capacity by contracting out. What other policy would have created private research companies like Stanford Research Institute and Battelle? It is to be hoped that the creative policy introducing the 150% tax deductibility for research expenditure survives long enough to effect institutional changes in the balance of Australia's research culture.

Despite these greater freedoms in the area of research, high ethical standards in costing are necessary and research students can be used only under stringent conditions specified by the institutions.

In all these consulting activities institutional rules are vital and agreements must exist within the host institution in respect to consulting activities. Rules and formal agreements must protect the freedom of staff members consulting on behalf of their institution or any consulting company and must define conditions which apply to staff members who wish to compete in the same market as private consultants separate from the institution. The same understandings must exist if schools, departments and other centres perceive a presence in the same market. It is impossible to justify the limits of a totally free market when, within this limit, management control is poor, and the market is fragmented by internal elements of the institution competing against one another in a way which confuses potential clients and clouds the establishment of proper accountability. In establishing the roles of schools and individuals within schools it is essential to maintain proper costing of all aspects of the service provided in the market place.

Institutions can concentrate activity through enlightened policies in the reward system thus eliminating stifling internal regulation.

The incapacity of governments to properly allocate the true cost of research has produced unrealistic attitudes to costing in CSIRO and the universities.

Through all its grants government must fund the full cost of research instead of hiding costs by procedures which claim that the resources of tertiary institutions are unlimited subsidies of all research activity, both public and private. Full cost recovery, including all overheads, is the only way under which an accountable system can be established for the use of education facilities in both public and private research.

3. Earnings Through Research Contracts

The same conditions described for consulting activity apply to longer term research contracts but with the additional need to define conditions under which research students become involved. Commercial restraints in respect to confidentiality are not necessarily incompatible with thesis preparation and publication.

However, the protection of students and their rights to be properly examined and to gain professional recognition for their work are essential.

The scale of payment to students also demands careful thought in balancing students' rights to gain adequate reward from the project in terms of the sum of the stipend paid and access to equity and the value of the degree and the professional standing which they take away at the end of the project.

4. Earnings From Intellectual Property

Domination of research and development in Australia by the public sector has produced a timidity in higher education institutions and government research agencies about the commercial development of publicly funded research. In this culture it has not been respectable to aim research at a commercial market. Commercially applicable research has rested in the protected minds and in the published papers of public researchers waiting for others to exploit it, often to the great detriment of our unworldly nation and the taxpayers who funded the work. In these respects we must improve.

It is our responsibility to conceive better management structures for consulting companies so that they possess the capacity to bring creative useful ideas to the market place through provision of venture capital. Also we must reward those whose research directions are determined by market knowledge.

The future lies in the creation of companies in which universities and staff hold negotiated equity and in which both can gain a respectable and just reward from the intellectual property in which both have a legitimate claim.

5. Earnings Through the Marketing of Management Services
Large universities require a range of management services which meet their complex and varied needs. Licensing and patenting services, institutional planning services and software development are but a few areas in which the domestic demand can justify an in-house capacity.

It makes management sense for institutions to offer these services commercially both for profit and to check the efficiency of in-house operation. As in the case of consulting and research activity no service should be offered unless it is fully costed and thus competes commercially on quality rather than on advantages which accrue through an uncosted public subsidy.

6. Earnings Through Short Courses
The role of short courses and continuing education is extensive and limited only by the provision of buildings, the energy of staff, the availability of additional contract staff and market demand. Courses can be marketed to individual subscribers, contracted to meet the needs of companies and government agencies and developed co-operatively with professional bodies or other interested parties. They can be run for a domestic market and for overseas markets in Australia and off-shore.

Unlike the commercial entry of institutions into the marketing of formal degrees, this activity is less subject to bureaucratic government regulation except as prescribed by various business codes.

This market potential is very great indeed and extends from sub-degree programmes through adult education to postgraduate education. Lack of government vision has severely limited this service. Policy which prohibits the charging of fees for courses potentially creditable towards a degree limits student access to valuable courses which could serve as both formal courses and continuing professional training. Additionally, that policy denies institutions commercial support for programmes which serve both roles.

Clearly, the opportunities for institutions with the will to partially earn their keep are many and varied. It is the challenge of each institution to describe its mission and examine the commercial opportunities in terms of this mission and prescribe the limit of its own commercial activity.

Diversity and too great an effort in commercially valuable activity can fragment the central purposes of the institution in terms of teaching, research and development.

The setting of priorities is the concern of institutions which must be given maximum freedom from regulation except where necessary to assure accountability in the use of public funds provided for specific purposes in teaching and research. The paranoia which presently pervades government and its bureaucracies about the motives of those who support private activity in public institutions may well condemn Australia to a future of timid regulated publicly funded mediocrity.

Nothing I have put forward suggests that government or university management can prescribe what individual academics will pursue in their

scholarly activity. The well-established and defensible principles of academic freedom are not at risk. Rather, I am suggesting that if university reward systems do more to recognize the value of commercially oriented research and if government provides adequate incentives in its granting system, Australia can quickly and harmoniously shift the balance of its public research from a concentration on the fundamental issues of international science to the more immediate technological and economic problems which face our nation.

These are decisions that can revitalize Australian higher education. Also, they will produce a new dynamic in this country, one that will be lasting because it has its origin in the environment in which the next generation of Australian leaders are developed.

Australia's economic problems and our emotional links to equity in educational access do not define an insuperable problem endangering standards. On the contrary, they provide a unique opportunity to rethink our approach to higher education thus creating a system involving less regulation, decreased bureaucracy, and increased private investment in harmony with government investment in producing a more equitable and exciting system. It is certainly true that many institutions would be forced to change their aspirations in the face of competition. In my view, Australia would also find a more diverse system meeting the needs of more people without a proportionate increase in public expenditure.

NOTE

1. Don Smart, *Unicorn*, 13 (32), 1987.

Though Professor Watts was here speaking as Vice-Chancellor of Curtin, many questions looked to his later presentation as Vice-Chancellor Elect of Bond University. General principles were nevertheless enunciated and discussed.

Private investment and development are attracted by the international market for certain courses, and by the general rise in values in the vicinity of a university (e.g. Cambridge, Massachusetts).

Private enterprise is of long standing, witness the Australian Administrative Staff College, Seventh Day Adventists, etc. Business and similar training was once private. Private institutions now plan to offer the credentials required in today's market.

Australia after a long period of un-intellectual selling of bulk commodities, needs education at a time when government is unwilling or unable to provide; hence the need for private investment.

If you must withdraw from a program which proves unprofitable, you must do so without injuring enrolled students. But, in fact, while some specialist institutions may offer only profitable courses, an aspiring university must be broad, and must support with its earnings both its profitable and non-profitable courses and activities.

In this and later sessions there were many comments on the system-wide and institutional inertia of present arrangements in higher education, and the desirability of some new stimuli.

CHAPTER FIVE

NEW AUSTRALIAN POLICY INITIATIVES FOR OVERSEAS STUDENTS - THE IDP EXPERIENCE

K.J. C. BACK

Executive Director, International Development Program of Australian Universities and Colleges

The high level of interest generated by the Conference theme: "Private Initiatives in Higher Education" reflects in large measure the dramatic changes which have followed two distinct but related Federal government policy decisions taken just two years ago. On 22nd March 1985 the Federal Minister for Education, Senator Susan Ryan, announced a major new thrust in its overseas student policy as follows:

> The Government acknowledges that there are likely to be students who wish to study in Australia, but who are not able to be accommodated within the quota of students to be subsidized by the Government. To provide increased opportunities for these students, institutions will be able to offer places at full cost in courses, separate from their normal degree and diploma courses, which are specifically designed for overseas students. A steering committee will also be established to recommend guidelines under which institutions may be permitted to offer places at full cost in normal degree courses - these places would be above and beyond those places subsidized by the Australian Government.

Four months later, on 5th July 1985, the guidelines for the provision of university and college courses to overseas students on a full-fee basis were announced.

Also in July two missions, sponsored jointly by the Departments of Trade and Education, visited countries in S.E. Asia to gauge the level of interest in full-fee courses offered by Australian institutions. Notwithstanding the haste with which the missions had been mounted and the superficial nature of their inquiries, the missions concluded that there was a significant market for award and non-award undergraduate courses by private overseas students who would be prepared to pay full fees. A marketing strategy was developed by Department of Trade officials in consultation with the Department of Education and this resulted in the second related

policy statement, that on the Export of Education Services, which was released on 23rd September 1985.

This paper reviews how my organization, IDP, has responded to these new policy initiatives and by so doing, highlights some of the emerging issues. First, a few words about IDP.

It had its beginnings in 1969 as the "Australian-Asian Universities' Co-operation Scheme" (AAUCS), an activity of the Australian Vice-Chancellors' Committee (AVCC), the underlying philosophy being to encourage co-operation between Australian universities and universities in developing countries, the initial target countries being Indonesia and Malaysia, mainly in agriculture and related faculties. The Scheme grew steadily and in 1981 was re-titled the "Australian Universities' International Development Program" (AUIDP). In 1984 a joint working party was set up by AVCC and its advanced education counterpart ACDP, the outcome being agreement to establish a new, separate organization to be called the "International Development Program of Australian Universities and Colleges" (IDP).

IDP was formally established on 1st November 1984 as a company limited by guarantee, incorporated in the A.C.T. The business of the company is the responsibility of and vested in the Board of Directors. The Board comprises five Vice-Chancellors appointed by the AVCC, three heads of colleges of advanced education appointed by the ACDP, two members appointed by the Minister for Foreign Affairs, one member appointed by the Minister for Education, one member associated with the TAFE sector appointed by the Board and the Executive Director. The Executive Committee of the Board, empowered to act on behalf of the Board between its meetings, comprises the Chairman and Vice Chairman, the Executive Director and two members appointed by and from the Board.

From this history of the foundation of IDP, three important points emerge.

First, IDP is basically a creature of the Australian universities and colleges, or more precisely the committees of their heads, i.e. AVCC and ACDP, with a prime function to act as the "honest broker" for those institutions interested in participating in international educational activities. Second, by virtue of its Board membership, IDP has close ties with, and substantial inputs from, both the higher education sector and government. Third, by virtue of its company status, IDP has the flexibility to respond quickly to new opportunities, to be innovative and entrepreneurial and it is free of many of the constraints inherent in government bureaucracies.

Two events occurred after the establishment of IDP, which could not have been foreseen by the joint AVCC/ACDP working party, but which have had a profound effect on its current operations and future directions. These events are first, the dramatic 1986/87 cut in the aid budget, and hence in IDP's Core Program, and second, the Federal government's new policies on overseas students and on the marketing of education services overseas. The flexibility of IDP has permitted it to respond positively and effectively to these events.

IDP's activities now cover four broad areas:

Overseas institutional strengthening activities of the Core Program involving fellowships and consultancy services, utilizing Australian government funding provided through ADAB as a single-line appropriation in the aid budget; this is the longest standing IDP activity. The level of Core Program Activities is dependent entirely on the ADAB appropriation; requests from overseas for IDP assistance exceed by a substantial margin the services which can be provided within the current level of funding.

Fellowship operations, including special training packages, funded as an element of the Sponsored Student Program or by overseas governments, often utilizing funds provided by multilateral funding agencies such as the World Bank. The area of fellowship administration involves close co-operation with Australian institutions and overseas organizations.

Technical assistance services usually involving competitive bidding for projects and staff training activities proposed by overseas governments and often funded by multilateral funding agencies.

Educational representation through existing IDP offices overseas and at forums and exhibitions overseas. This involves the provision to overseas audiences of information and advice about Australian post-secondary education, the aim being to make courses, awards, standards, policies, procedures and costs better known and recognized overseas. The joint venture with Hobsons Press to publish *Australian Study Opportunities: A Directory for Overseas Students* is an example of the IDP approach.

There has been substantial growth in IDP activities over 1986/87: fellowship operations, particularly those funded by the Asian Development Bank, World Bank and national government sources, have expanded significantly; IDP has undertaken a range of technical assistance projects; and IDP has represented an increasing number of Australian tertiary institutions at overseas exhibitions. A measure of the level of the activity of IDP and its predecessors over the years and of the changing emphasis in the current climate is given in the following analysis:

Year	ADAB Appropriation ($ million)	Contract Income ($ million)	No. of Fellowships	IDP Staff Canberra	IDP Staff Overseas
1969/70	.107	-	-	2	-
1974/75	.334	-	38	2	-
1979/80	.955	-	58	3	-
1984/85	7.200	.081	158	22	6
1985/86	7.200	1.091	201	29	7
1986/87	6.200	5.012	264	32	9
1987/88 (estimate)	6-8(?)	8-10	400	32	20

These figures reflect the success IDP has had in negotiating agreements with overseas government agencies for fellowships and technical assistance programs involving Australian universities and colleges. During 1987, in Indonesia, IDP has signed an agreement with the Directorate-General of Higher Education on Australian participation in the Inter University Centres Project, funded by a World Bank loan; initially 50 fellowships are involved; a similar agreement, with the Ministry of Research and Technology which recognizes IDP as the educational exchange organization for Australia, was signed in April. An agreement has been concluded with the Malaysian Government and another is being negotiated with the Thai Civil Services Commission on the placement of groups of students from Malaysia and Thailand respectively in bridging courses and undergraduate and postgraduate study in Australia. Advice was received at the end of April of the successful IDP bid for the $380,000 fellowship component of the World Bank Textbook Publishing Project for the Philippine Government's Instructional Materials Corporation; 27 fellowships are involved.

Further initiatives illustrate the breadth of IDP's activities and the importance of close liaison with overseas authorities. First, a staff appointments service for overseas governments and institutions has been established which builds upon the work undertaken by IDP for the Brunei Ministry of Education and previously undertaken on an ad hoc basis for the University of the South Pacific and Papua New Guinea institutions. Second, IDP has been commissioned by the Australian Department of Foreign Affairs (DFA) to prepare and implement an Australian Studies Program in Singapore; the program involves study on Australia and the Australian experience, and studies which utilize Australian expertise. IDP is undertaking similar work for DFA in Papua New Guinea and discussions on cultural activities in Malaysia and Fiji have been foreshadowed. Third, the Australian Department of Education and IDP are in the concluding stages of negotiations whereby IDP will be contracted to administer the Private Overseas Student Program in Jakarta, and a similar role in Manila is being considered. Fourth, in the related area of the recognition of Australian awards overseas, it is proposed that IDP, in collaboration with OSO, AVCC and ACDP, organize and co-sponsor an international workshop to exchange information on relevant Australian procedures.

These activities have been undertaken within the framework of IDP's mission to contribute cost-effectively to economic and social development through strengthening education and related institutions and systems in developing countries. It does this by assisting access to the resources of Australian tertiary educational institutions and related bodies. This mission is broadly defined in the Company's Memorandum and Articles of Association and, as I have described, this mission has been developed by IDP and its predecessors over almost twenty years. As a consequence, IDP is well known and well regarded in academic and government circles in South East Asia and the South Pacific. During this period it has acquired a wealth of experience in international education which provides a sound basis for its present activities and for further expansion of its overseas educational services. Because of IDP's experience, contacts and established reputation, it is well placed to respond to the Australian government's identification of the education services sector as a potentially significant earner of foreign exchange. IDP's existing overseas office network, supplemented by the extensive overseas activity of its professional staff and academic consultants, has constituted a critical component of its success. It is noteworthy that IDP's achievements have been greatest in Indonesia and in the Philippines due, in large part, to the activities of the Company's Jakarta and Manila offices respectively.

The importance of the overseas offices for the successful operation of all IDP's activities cannot be stressed too strongly; it is for this reason that the Board of IDP has agreed that the network of offices be progressively extended, initially in Singapore, Bangkok, and Kuala Lumpur, then in Hong Kong and possibly in China.

Thus far, I have addressed only the way IDP has responded to the recent government initiatives; there are of course many other players. The Australian Trade Commission - AUSTRADE - has been charged by Federal Cabinet with the responsibility of facilitating the implementation of its policy of marketing education services overseas. A special education and training unit has been set up for this purpose which has responded vigorously to the challenge; it has actively promoted education seminars and selling missions overseas and has conducted market research and research on the activity of competitor nations. It is envisaged that once the market for education services has been established the need for a special education and training unit in AUSTRADE will disappear. In the meantime IDP sees its activity as being complementary, providing expert professional input where required, participating as an umbrella organization at educational exhibitions or representing individual institutions, if requested, and in providing a wide range of quality publications about Australian higher education.

As we all know concern has been expressed both in Australia and overseas about many aspects of the recruitment of overseas students under the new policies. There is confusion in the market place because of:

the different procedures for admission - sponsored, subsidized and full-fee;

the different levels of fees and overseas student charges;

the rapidly growing number of courses and of institutions vying for potential students in an unco-ordinated and confusing way.

Not surprisingly there are increasing calls for more order and co-ordination but uncertainty about how this might be achieved.

The experience of British universities and polytechnics is instructive. To counter the sharp decline in student numbers entering Britain (the result of increased fees in Britain and successful marketing by other countries), the British Council in 1983 stepped up its promotion of British education. In particular, the Council set up the Education Counselling Service now operating in Hong Kong, Malaysia and Singapore, and is now considering an expansion of this service into Indonesia, Japan, Korea and Brunei. It promotes the services of eighty British universities and polytechnics each of which pays a subscription fee. The service has had marked success; the number of overseas students being placed in Britain is now increasing. Similar overseas office networking arrangements are either in place or being established by other countries receiving overseas students. A common feature of these office networks is the way in which they integrate related educational activities. British Council offices, for example, deal with a range of education related matters, well beyond student recruitment, including overseas institutional strengthening activities, education aid programs, fellowship operations and technical assistance services; i.e. activities of a nature traditional to IDP and its predecessors.

Australia's circumstances differ, of course, from those obtaining in Britain. There is no entity in Australia comparable to the British Council with a leading, co-ordinating role. In Australia, a number of agencies such as AUSTRADE, OSO and ADAB, as well as IDP, have roles in overseas educational marketing and administration, and various state agencies such as the Overseas Projects Corporation of Victoria (OPCV), EXIM of Western Australia and SAGRIC of South Australia see themselves as having promotional roles in education for their respective states. Similarly, some institutions prefer to make their own arrangements either directly or with private overseas agencies. Without some corrective action, it is ultimately the standing of Australia as an internationally competitive provider of educational resources of the highest calibre which is at risk.

Objectives of these groups coincide and for the most part productively. IDP has, for example, been assisted by AUSTRADE in tendering for Asian Development Bank and World Bank fellowships and for technical assistance contracts. IDP and OPCV are co-operating in a Thai program; and IDP is discussing possible joint ventures with private sector groups.

In conclusion I should like to highlight some current issues, issues which should be addressed and resolved if Australia is to win and retain a reputation as an attractive, cost effective and efficient provider of high quality educational opportunities for overseas students. Reference has al-

ready been made to the fact that Australia's recent sorties into the overseas educational market place have been criticized as being confusing and uncoordinated. To many people the confusion was an inevitable consequence of the decision to implement part of the recommendations of the Jackson Report and part of those of the Goldring Report.

There are now three main groups of overseas students:

1. Fully Sponsored Students. These are mostly postgraduate students whose travel, allowances and tuition costs are fully met by the Australian government as part of Australia's foreign aid program.

2. Subsidized Students. These are students who seek enrolment in Australia through the Overseas Student Office (OSO) of the Commonwealth Department of Education, and are accepted by the institutions on the basis of their academic qualifications and are subject to institutional and country quotas. They are required to pay an Overseas Students Charge (OSC) which represents a part contribution to the tuition costs. The difference between the OSC and the total cost is shown in the Federal budget as a component of Australia's foreign aid program.

3. Full-Fee Students. These are students who pay the full cost (including the capital component) of their tuition in Australia. Quotas do not apply and application is made to the institutions direct.

On 13th May 1987, after the May Economic Statement, the Minister for Education announced that the OSC in 1988 for new students would increase from 45% to 55% of the average full cost of courses in Australia (a cost which is indexed for inflation). The OSC is estimated to be $6,000-$7,000 in 1988.

There will, of course, be criticisms of the "fee increase" especially in Malaysia where there was an outcry when the OSC was increased from 32% to 45% last year. Although the latest increase was forecast last year it will still cause resentment; this will be ameliorated to some extent by the fact that continuing students will be exempt from the increase and there will be no further increases (other than inflation indexation) during the 1988-90 triennium.

The anomaly exists, however, that while the OSC will be $6,000-$7,000 in 1988, there will be a number of full-fee courses offered by Australian institutions at costs similar to the OSC. As the level of the OSC and of full-fee courses increasingly fall within similar ranges there will be a strong argument for the elimination of the subsidized program and its replacement by full-fee courses. Assistance to overseas students could be provided by Australian government scholarships, thus satisfying the Australian foreign aid objectives.

A second group of issues arises from the way in which universities and colleges have responded to the opportunities provided by the Federal government's policy on full-fee courses for overseas students. Initially the re-

sponse was cautious, especially in the university sector. Twelve months ago there was on offer a mere handful of award courses by a very limited number of institutions. The OSO now publishes, on a regular basis, lists of full-fee courses which have been approved by CTEC. The growth in the number of courses and of the institutions offering them has been spectacular; the most recent publication (May 1987) reveals that 18 colleges of advanced education and 10 universities now offer full-fee courses. The number of award courses offered are:

Associate Diplomas	24
Diplomas	12
Graduate Diplomas	63
Masters Degrees	62
Bachelors Degrees	214
TOTAL	375

In addition, there is a substantial and rapidly growing number of full-fee TAFE courses plus numerous non-award courses.

It is obvious that the institutional expenditures on the first flush of overseas students entering the newly offered courses will, in the main, be at marginal cost while the institutional incomes will be from charges based on full cost, including a capital component. Important questions arise:

> to what extent are institutions prepared to, or are planning to, invest in the provision of physical and human resources to increase the number of places for full-fee students? Curtin University of Technology is one of the few to have announced its intention to do this;
>
> are problems being experienced, or anticipated, due to differences in minimum entry levels of subsidized and of full-fee students pursuing the same course?; and
>
> are the levels of fees set by the institutions and approved by CTEC competitive with similar courses offered by institutions in other countries?

Finally, there is the third general issue which I have already mentioned, namely the need for co-ordination of the Australian offerings and opportunities in higher education in the international arena. Concern has been expressed by Heads of Missions in South East Asia about the large number of institutional representatives actively promoting full-fee courses in a way which is seen by the local population as confusing, and often too blatantly commercial. The need for some degree of co-ordination, without restricting individual institutional initiatives, is clear. Finding the mechanism for such co-ordination is a challenge which should be addressed with some urgency by the Australian higher education sector.

Many of those attending the conference obviously had or sought experience of marketing Australian higher education overseas.

While the size and characteristics of the market are uncertain, and studies have so far been rather superficial, but there is certainly a potential market for Australian higher education if it is competitively priced.

But little information on Australia is available in the Southeast Asian region, and Australia is therefore not widely perceived as a higher education destination. Information on courses, institutions, enrolment conditions, costs, problems of living etc., is needed, as are counselling services.

Considerable confusion exists among the several organizations engaged in publicizing or marketing higher education, including AUSTRADE, IDP, and various state organizations. IDP hasn't assumed a general and powerful publicity/organizing role comparable to the British Council, but it perhaps could.

CHAPTER SIX

BISCUITS, BICYCLES AND B.SC'S: THE IMPACT OF MARKET FORCES ON THE MANAGEMENT OF PUBLICLY-FUNDED UNIVERSITIES

ROGER SCOTT

President, Academic Board, and Professor of Public Administration
University of Queensland

Only slightly tongue-in-cheek, Laurie Taylor has suggested that "at the end of the day, we're all in the game of producing products, whether it's biscuits, bicycles or B.Sc's."[1]

This piece of mild satire followed a report that a committee chaired by Lord Croham had recommended a more business-like approach in restructuring the University Grants Commission, arguing that "the new relationship between the UGC and the universities should be similar to that between a customer and a contractor... the Committee should be seen as the buyers in higher education getting value for money, not just paying regard to traditional academic aspirations." (*THES*, 9.1.87)

The Association of American Universities produced a report in 1985 which pointed to the conflicts of interests and ethical dilemmas associated with what it called the "metamorphosis of academics into entrepreneurs". It specified several problems: regulating the use of academics' time when they are not held accountable for periods devoted to teaching preparation and professionally-focussed research; the need on commercial grounds for confidentiality to be reconciled with traditions of free discussion and publication, especially of supervised higher degree study; the potential conflicts of interest where academic staff hold equity in venture capital companies exploiting their own research and the research of colleagues.

It was suggested in the report that these problems pointed to an urgent need for institutions to develop guidelines which protected both individuals and institutions against the charge that this new area of activity constituted a misdirection of public funds away from the basic objectives of tertiary education.[2] There is clearly great confusion on the international scene on this issue, probably inevitable confusion. Smelser has pointed out that the system stands continually in a state of precarious balance and potential conflict via different priorities.[3]

This contribution restricts itself to the relevance of this international dilemma for the management of individual tertiary institutions within Australia. Already there is more than enough written about system-wide issues and the relationship of the publicly-funded sector to taxation, fees and private institutions.

It is possible to identify ten points where those charged with the management of publicly-funded tertiary institutions have introduced changes which replicate in some way the working of the market mechanism instead of relying on authoritative or "political" judgements to allocate scarce resources.[4] The effect of relying on this mechanism is to introduce inequality into institutions which have traditionally placed a high value on equality and to substitute presumed "objectivity", often defined by central authorities, for the traditional subjectivity of autonomous decision making structures. On balance, the effect of these changes is to make universities and colleges less able to fulfil the historical role accorded institutions of higher learning as protectors of a cultural scholarly tradition.

1. Appointment of New Staff

In most countries, and especially in Australia, there has been a sharp decline in the relative attractiveness of university salaries compared to the public service and private enterprise. Salaries have almost always been lower but many individuals with high academic qualifications and high earning potential have found aspects of university and college life more attractive. They appear to have valued in particular a high level of personal autonomy in both choosing the focus of their preferred areas of research and teaching and choosing when they do such work. There was also the lack of pressures for conformity to conventional attitudes and organizational discipline, sustained in part by traditions of collegial decision making.

Many of these advantages are declining. On the one hand, corporate (and, to a lesser extent, public service) management practices recognize the benefit of providing more autonomy to their most gifted and creative employees. On the other hand, the overall restrictions on tertiary funding are leading to pressures for heavier teaching loads and increased and more directed research productivity. The emphasis on efficiency is creating more restrictive management practices which leave less autonomy to peer-group decision making.

The result is that, in areas where there is high demand from the outside world, the tertiary institutions have significant problems attracting the most highly qualified staff. This is particularly true in medicine, accounting, computer science, law and some branches of engineering. The level of demand from outside employers fluctuates, but the best graduates can easily find alternative employment.

The result is that recruits to the staff who teach the courses in highest demand are often either journeymen unable to command the highest salaries open to top practitioners or bright people snapped up very young during a transitional phase in their careers. But generally there is a perceived problem of quality which is often met by recruiting at higher grades than ap-

pears justified by formal qualifications and experience when measured across the institution. This stores up problems of compatibility in the future promotion processes.

2. Deregulation of Outside Earnings

Another way of raising the financial attractiveness of university careers in high demand areas is the encouragement of staff with marketable skills to increase their total income by more systematically exploiting these skills while continuing to hold a fulltime academic appointment. In some cases, the holding of a university title raises an individual practitioner's market value - as is the case of doctors or accountants who can perhaps provide a professorial cachet to the list of partners in a practice. In this way, individuals who might otherwise be tempted to maximize their incomes by private or corporate practice of their profession are encouraged to offer some of their time to teaching. (They rarely have time to also perform the research function which is ostensibly part of every academic's contract, adding another barrier to promotion through normal channels).

In many institutions, including Queensland, the controls which ensure that staff perform their basic contractual obligations are currently couched in limits placed on earning levels. Permission is required from designated officers as income levels rise - typically 25% of base salary is seen as a ceiling after which the individual can be expected to return income to the institution which notionally "owns" his services. Given the steeply increasing returns for outside earnings by many professional groups - including lawyers, doctors, dentists, accountants, computer analysts, engineers - the 25% ceiling is unrealistic as well as inequitable.

For this reason, the Hudson report proposed a move which has already been suggested in many other places - by the Ralph Committee into Management Education, for example, and numerous reviews of individual departments and disciplines - shifting the measurement to time rather than cash. [The proposal is to permit 13 days per quarter of approved outside earning activity, whether weekends or weekdays; where longer periods are required, fractional-time appointments should be negotiated or the institutions reimbursed].

There is enthusiasm for this change on all sides. The institution will be able to attract higher quality staff if it can promise opportunities for significant outside earnings and the institution will also be able to point to the community and professional linkages which flow from this practice. The special expertise of college and university staff will he seen as no longer "locked away" from the environment which needs access to them.

The only possible losers are the students and those who value the basic research which might flow from a whole-hearted commitment to university duties. There may be an inverse correlation between outside earnings activity and teaching-research output unless the two can be combined in some way. This points to the significant problem of monitoring use of time among academics who have traditionally had a wide range of freedom to shape their working week free from bureaucratic mechanisms.

3. Exploitation of Intellectual Property

Another way for highly-desirable staff to increase their income is through the commercial exploitation of intellectual property. Most tertiary institutions have statutes which make it clear that, in common with other private and public organizations, the intellectual property developed by its employees resides with the employer. This means that the development of inventions and other patentable products - even best-selling books - which result in significant income are technically the property of the institution and not the individual. However, since motivation is necessary to the conduct of research and other activities, most institutions provide for a proportion of the income to be shared with the inventor/researcher as well as with the department which has presumably provided the time and facilities.

In practice, many of the statutes on intellectual property were written before the current enthusiasm for the commercialization of research. There have also been cases where the institution has exercised its control over intellectual property ineffectively, so that potentially valuable ideas and processes have been sold off to private entrepreneurs at ridiculously low prices. The terms of these statutes are being reviewed in many universities to ensure that staff are aware of the potential commercial value of their activities so that they do not rush to publication (which negates the value, even if it leads to peer applause and enhances promotion chances).

4. Creation of Entrepreneurial Structures

The lesson of lost opportunities and the increasing awareness of the need to develop outside sources of funding has led many colleges and universities to create special company structures to exploit the potential for commercializing the intellectual property of the staff, including not only inventions but also consultancy and testing services and even the conference facilities of the premises. In some cases, separate companies are floated and promoted to develop specific products and processes.

The relationship between these structures and the existing patterns of university governance remains complex, given the need for accountability on the one hand and the opportunity to apply commercial judgements and take entrepreneurial risks on the other.

A fear which has sometimes been expressed is that the priorities about resource usage - space, equipment, teaching and research talent - usually determined on academic grounds, may come into conflict with the essentially commercial cost-benefit judgements of the new entrepreneurial structures. In most cases, these new commercial structures have significant academic and governing body representations but the potential for conflict of loyalties nevertheless exists at all levels. This is especially true for that group of staff at the cutting edge of new technologies, whose efforts may be maximized in a commercial sense by taking them out of the teaching/research setting altogether. Keeping faith with investors may be inconsistent with offering the highest quality of teaching and basic research.

A Canadian writer has suggested that "what purport to be our academic priorities are driven, in large part, by what money we believe may be available... The university community is as uneasy about this initiative on the part of senior administrators, and particularly about the changing values, as it has been on almost any other issue in the past decade and the potential exists for a real and serious rupture of the relationship between many faculty members and their senior administrators."[5]

5. Promotions Criteria: "A New Class"?

Enthusiasm for market mechanisms also affects the means by which individuals advance within the university structure. The University of Queensland has maintained the traditional system of peer review for promotions, which remains unhampered by financial constraints. Promotion requires high levels of research and teaching, plus at least satisfactory administrative contributions within the university and/or the community. Under student pressure, the emphasis placed on teaching rose some years ago, and was consolidated by requirements to submit evidence of evaluation of student as well as peer opinion. But research output continues to have great weight, especially at the readership level.

Yet many staff have been appointed with necessarily lower levels of qualifications in areas of high student demand, which are often simultaneously the very same areas where opportunities exist for generating outside earnings both for the individual and, via entrepreneurial activities, for the institution as well.

The result is that many individuals with skills highly valued by both the university and the community do not measure up to conventional promotion criteria. They cannot be doing all things at once and may have chosen or been encouraged to place orthodox research as a low priority; often being less well-qualified in the first place, they may not necessarily even be very good at it. If they are good at it, then the research may not lead to publications because there is more money for all concerned if the intellectual property is kept secret and patented. The result is that many doctors, lawyers, engineers and computer scientists may have considerable income advantages over other academics but may fail to acquire the status of promotion. In many cases, they make progress up the academic ladder by appointment to vacancies created specially for them. Given the general low levels of qualifications among potential competitors, with the most gifted often making more money in professional practice, it is relatively easy to win against external competition. It is relatively hard to win the same prize by competing with peers within the institution. The result is the emergence of two tracks for promotion linked directly to the market forces which shape demand for particular professional and academic skills.

This is leading on to the emergence of a "new class" within the tertiary institutions. There is a relatively impoverished group of teachers and researchers plying the traditional academic trade; beside them is a group whose aspirations and activities are shaped by an increasingly differentiated

set of values, as well as a greater capacity for economic rather than status advancement.[6]

The Hudson Report recommends that some attention be paid to the market forces which have generated this separation, through the payment of an extended (but still relatively modest) system of loadings. This has been vigorously resisted by staff associations on sound egalitarian principles; nevertheless the idea of loadings may seem preferable in the end to the damage being done to traditional hierarchical classifications and the promotions/appointments process described earlier.

The introduction of differentials on a wider scale than the present clinical loadings will, however, finally validate and identify the class division within academia, a division which has always been latent but is now becoming explicit.

6. Conflict in Output Priorities - Teaching v Research

This problem is linked to a broader issue facing many institutions, namely the balance to be struck between research and teaching. In the university sector, research is often identified as the major defining factor which distinguishes all universities from other tertiary institutions. Queensland has a Senate resolution dating back to early in the last decade belatedly placing research on a pedestal. CTEC also has funding arrangements which build in a differential designed to discriminate in the allocation of research funds across the whole sector. At the institutional level, most universities now have review procedures which allow funds to flow on down to the most productive departments and individuals.

There are three problems, however. One is that there is a growing amount of research being done outside the university sector, especially in the areas of applied research which are valued by private and public enterprises. This makes it harder to sustain the exclusiveness of university access to special funding, especially if not all staff and not all departments provide evidence of greater research productivity than, for example, their college equivalents.

Second, there is the problem of accountability and quality. Whatever device is used for quantification, there is the difficulty of establishing on an equitable basis that contributions of work in different disciplines should count equally, measured by number or length of contribution or the rigour of the refereeing system. Even then, institution-wide means of accountability are hard pressed to introduce the notion of intrinsic quality which is ostensibly basic to the functioning of an institution of higher learning.

Third, policy makers sometimes appear to ignore the social reality that "the public" relevant to higher education are parents of undergraduates and those aspiring to be undergraduates, as well as the undergraduates themselves. As the Robbins Committee noted twenty years ago while articulating a classic defence of liberal educational values, "we deceive ourselves if we claim that more than a small fraction of students in institutions of higher education would be where they are if there were no significance for their

future careers in what they hear and read; and it is a mistake to suppose that there is anything discreditable in this".

This vocationalism has become much more marked in the intervening years and it is often expressed in concern for the quality of teaching in professional courses rather than the research which is presumed to be the measure of the quality of the staff offering that teaching. In my observation of student representatives over two decades, their main interest is in the quality of teaching; parents of students and political representatives exemplified by the Teague Report and more recently by Senator Button manifest the same concern.

The more that universities focus their efforts on research, the greater the danger of alienating this constituency unless it can be shown conclusively that research quality does enrich the teaching experience of undergraduates. This is particularly a problem where researchers earn sufficient funds to "buy" themselves out of teaching altogether and undergraduates are consigned to ad hoc replacements.

7. Measuring Teaching Efficiency

"Market forces" operate in evaluation of teaching, to the extent that students are free to vote with their feet - an option not available in the more tightly-structured professional courses. Nevertheless, the penalties and incentives related to teaching performance are still crude. Being a below-average or downright poor teacher has rarely served as a basis for dismissal procedures once an individual is tenured. Being an excellent teacher is infrequently a direct and dominant cause of promotion. By contrast, research productivity and the acquisition of research-based higher qualifications remains a clearer criterion for advancement to both tenure and promotion as well as providing enhanced opportunities for outside earnings. Research is apparently easier to measure and is central to the university's reputation.[7] It is also capable of being "cashed in" in many disciplines to increase revenue and simultaneously strengthen links with industry and the community. For this reason, research tends to be more highly valued than teaching in terms of institutional ethos.

The Hudson Report was asked to consider (presumably by the Department of Finance) arguments in favour of more intensive usage of the physical plant of universities and colleges, which were presumed to be lying idle while staff and students went off on holidays for three months or more and rarely came to the campus on Fridays or at weekends. Fortunately, it seems to have accepted the protestations of colleges and universities that all that was necessary and feasible was being done - a point made many years ago by a previous investigation - and contented itself with pious encouragement to institutions to have another look at issues like timetabling and space allocation.

It also suggested that there was "potential for offering additional courses outside normal academic periods to facilitate academic progress and improve access, particularly for disadvantaged students" (para 4.47). The University of Queensland is already starting to travel down that road with

an intensive four-week summer session being available in the MBA. Future overseas students will almost certainly be encouraged on financial grounds to take such a session, even a double dose in a "super-intensive" mode, to minimize the length of their courses. If this is the way of the future, then it is important not to lose sight of some of the pedagogic arguments advanced in defence of the status quo, especially the essentially contemplative nature of much higher learning.

8. Priorities in Course Offerings - Markets v Community Need

Recognition of the subordinate role now accorded teaching leads on to the wider issue of the distorting effect of market calculations in relation to the choice of courses on offer in tertiary institutions and the standards at which they are offered. Community need can be expressed in many different ways, including the articulation of demands from the political process as well as from interested client groups such as professional associations.

The demand for doctors, lawyers and accountants, plus less likely areas such as therapists, students of human movement studies and veterinarians, appears unquenchable when viewed from the perspective of student preferences. But there is significant concern among practitioners that true community need does not point to tertiary institutions allocating the resources necessary to service this student demand. Practising lawyers, vets and doctors in particular are concerned about threats posed to their own livelihood and living standards if student output increases further. Medical areas are expensive to staff, for reasons already discussed, and the cost of access to hospitals and equipment also lessens temptations for universities to create or expand medical or veterinary schools.

Law and accountancy are different cases, where the marginal cost of accepting more students is quite low. As equipment costs drop, computer science may fall into the same category. All these areas suffer the same problems of staffing due to the attractiveness of earning levels in private enterprise (which in turn generates student demand). It can also be argued that these students acquire a generalist qualification capable of being applied to a wide variety of management occupations.

Nevertheless, institutions which are entirely demand-driven may eventually exceed the numbers of students required by "community need", at the expense of other activities traditionally located in the university sector which may, perhaps temporarily, be out of student favour.[8]

9. Meeting the Overseas Market

In addition to the conflict in priorities between teaching and research, there is the subsidiary conflict over the balance between regular teaching and teaching overseas students for the purposes of raising supplementary funds.

The Goldring Committee discussed the connection between education, trade and aid. It was not sympathetic to entrepreneurialism, being sensitive

to the value distortions which can flow from treating education as a private commodity.[9]

The Jackson Committee provided a sharp contrast in attitude towards government 'protectionism' and sought to place educational institutions in direct competition (with each other and with those in other countries) for overseas students. It saw no need for the creation of a new centralized regulatory body for the administration of private and sponsored overseas students, but rather envisaged an emphasis on the role of individual educational institutions, which would he subject to only broad and general governmental regulation. In practice, as Jones suggests, the worst of all worlds may have been created, with initially clumsy attempts at central controls inhibiting entrepreneurial activity without providing effective safeguards.[10]

Experience of overseas countries, especially Britain, points to the dangers of institutions becoming overly dependent on overseas students' fees.[11] One lesson is that financial aspects tend to overwhelm concern for social, cultural and institutional issues posed by the presence of large numbers of overseas students. Already, the pressures from more entrepreneurial institutions or sections of institutions such as business schools are forcing the pace in Australia, aided by trade-related departments in Canberra. The "convenience factors" hampering expansion are diminishing in significance in all but the oldest and most prestigious institutions. The appeal of relatively free money associated with marginal effort to service fee-paying overseas students means that the idea is catching on across a wide range of the tertiary sector. If it reaches the dimensions predicted in the more optimistic market surveys, the funding implications will inevitably determine institutional strategies.

10. The Changing Role of Senior Administrators

The need to market education both locally and internationally and to take decisions based on market intelligence adds an important new dimension of responsibility to senior academic administrators. On top of regular activities such as routine administration, interaction with professional associations linked to academic awards, committee work on appointments, promotions, individual disputes with subordinate staff, preparing reports to governments and (at the lower levels) some teaching and research, comes another galaxy of responsibilities.

These include public relations activities to encourage potential benefactors, "selling" trips to overseas sources of potential students, media appearances, concern over investment policy and especially over the commercialization of intellectual property and the operation of venture capital companies in which institutions have a controlling interest, such as the highly active UniQuest in Queensland.

For the most senior administrators, carrying these cans as well as all the other responsibilities of office, the time pressures are often overwhelming. One increasingly common response is to identify the research area as one with potential for considerably increasing institutional income. As a result,

many new appointments have been made of Deputy or Pro-Vice-Chancellors charged with special responsibilities in this area. In some cases, the criterion for success of such appointees is quite explicitly stated as more than offsetting salary costs by increased income from grants or the commercialization of research. If the pool of funds remains the same size, then some are sure to fail to live up to expectations, in keeping with market theology.

Such appointments may emphasize the relegation of the teaching function but they will go some way to relieving the chief executives of increasingly onerous tasks which were not envisaged when they were appointed and for which they may have neither training nor aptitude.

Those appointing chief executives in the future may be expected to seek those possessing the buccaneering entrepreneurial spirit noted by Anwyl, with a sensitivity to market opportunities rather than an unequivocal commitment to maintenance of academic standards.

This has led to the concern expressed by a number of writers that the market-oriented mentality will undermine academic considerations as the driving force in tertiary institutions and focus power instead on bureaucratic structures and styles of management. This will be facilitated by the dominant research culture, which is tending to split up universities into incoherent areas of specialization, more attuned to meeting the demands of their particular "customers" rather than functioning as part of a total academic system and speaking with a common voice.[12]

An Identity Crisis for Universities?

The question must be asked whether this trend is occurring evenly across the whole system and whether the traditional "ideology" of a binary system is being undermined. The differentials of financial allocations between the college and the university sector justified in terms of research commitment are increasingly hard to defend as colleges, especially institutes of technology, focus upon the applied aspects of research which are accorded government priority. Universities generally are fighting back but the rank ordering of research performance in terms of public or industry support does not sustain a neat binary line.

If research is no longer the quintessential characteristic of a university, then what is? Harry Gelber has argued the traditional liberal-humanist case for treating universities as something special.[13]

Tom Dixon of QIT turns Gelber's argument on its head, by agreeing that universities should leave programmes of social amelioration to the institutes of technology, but defining into those programmes provision of applied research, links with business and industry, preparation of bridging courses for entry to professions and even the expansion of engineering courses.[14]

He then complains that the university's true goals are being put at risk by politicians seeking to turn universities into institutes. Dixon's ingenuous magnanimity is obviously based on political realism: the elements which would sustain the binary division on this definition would leave uni-

versities with precisely those activities least likely to enjoy political or industry support in the current climate of rampant vocationalism.

Universities have always been vocational and the universities' defence must rest upon notions of quality: a capacity to attract superior students and superior staff, and an ability to inject into their own professional courses an element of liberal education which will prove of ultimate benefit to the practitioners compared to more narrowly defined notions of vocational training.

In the end, the distinction drawn between colleges and universities may turn upon rather idealized notions of scholarship and a Platonic claim that those in universities know better than students or employers what is important for the future. This is a difficult line to argue to sceptical funding agencies and customer/students in the prevailing tough competitive environment. It smacks of special pleading as well as arrogance. It can only work if those in the college sector with similar intellectual dispositions are prepared to identify their institutions as sharing in the same scholarly tradition.

The binary system in Australia may not yet be officially dead, but it clearly has outlived its usefulness as an instrument of public policy. The distinction will soon be being drawn between scholarly and not-so-scholarly institutions; the current universities ought to be trying to ensure that they rank clearly within the first category, along with other quality institutions which may or may not claim (essentially for marketing purposes) the same trade name for their own enterprises. But the current Australian system is obviously unstable and John Anwyl is correct in arguing that "finding another basis for post-school educational planning which is intellectually respectable and durable is an urgent, important and complex social task".[15]

Compared to the rigidities and certainties of the planned, binary system of a few years ago, University policy makers are playing in a new ballgame - the impact of sponsorship on the VFL may be an apt metaphor. That is all about marketing too, selling a Victorian religion as if it were mere biscuits or bicycles.

Perhaps the dilemma arises from conceiving education as a technological product rather than as an intellectual process. Sensitivity to market forces clearly predisposes academic policy makers towards this product approach, with courses as items to be packaged and priced, rather than towards more amorphous notions of education as a process which produces effects which are hard to measure and thus of doubtful short-term value as a commodity.

Both the VFL clubs and the universities are under a new form of management, simultaneously more directive and more entrepreneurial. The star players are able to bargain for their services with much greater freedom than ever before. The difficulties are that the morale of the rest of the teams is at a low ebb and the customers attracted by the advertising may be offered a product of uncertain quality. Public accountability demands that this situation is not tolerated out of deference for the presumed virtue of

unrestricted market forces. Otherwise public universities will quietly subside into mediocrity.

Notes

(1) Mr Thrusting: "Let's face it, at the end of the day we're all in the game of producing products, whether it's biscuits, bicycles or BScs. Right?"

Interviewer: "But aren't you at all daunted by the sheer diversity of intellectual life in British universities? I'm thinking of the range of subjects, the differing degrees of vocational relevance, the very philosophy of university education itself."

Mr Thrusting: "You know, that's very much the attitude I will be fighting. What we've got to get away from is the idea that universities are abstract, airy fairy places, where people spend their time sitting around thinking, that they are, as we used to put it in Biscuit Marketing, a shade too Garibaldi for their own good. No, what we've got to do is to make them relevant. What's the point in producing Viennese Fingers if what's really wanted out there in the real world is some good old custard creams?"

Interviewer: "And so how far do you see your own appointment as in some way signalling a departure from the traditional role of the UGC in university planning?"

Mr Thrusting: "Quite frankly, I see it as a logical progression. Anyone who looks carefully at the administration of the university sector over the last decade will realize that it has been gradually treated more and more as though it were nothing more than some vast biscuit factory. It seems therefore, only appropriate that this systematic evolution should now be crowned by placing at the head of University Grants Committee a complete and utter fruitcake like myself." (Laurie Taylor. News at Ten: Excerpt from an interview with "Mike Thrusting", new chairman of the University Grants Committee and former manager of "United Biscuits", Times Higher Education Supplement, 6.2.87.)

(2) ("University Policy on Conflict of Interest and Delay of Publication", Report of the Clearinghouse on University-Industry Relations, Association of American Universities, February 1985).

(3) "The educational system stands continually in a state of precarious balance and potential conflict over different priorities: to what extent should it be permitted to maximize its own values of cognitive rationality (generating knowledge, searching for truths, teaching and learning in the broadest sense), and to what extent should it be required to 'service' the values and needs of other sectors of society? This question is a subject of continuous uncertainty and conflict... Since higher education serves many masters, including itself, it is to be expected that it stands on the precipice of value conflicts at all times." (Neil Smelser, "Epilogue" in Parsons and Platt, *American University*, p. 399, quoted in Peter Scott, *The Crisis of the University*, Croom Helm, London, 1984).

(4) For a discussion of the distinction between political authority and market forces as a basis for resource allocation, see Charles Lindblom, *Politics and Markets:*

The World's Political Economic Systems, Basic Books, New York, 1977. I have expanded on this in a recent conference paper, "Politics, Markets and Tertiary Education," read at the 1986 Conference of the Australian Association for Comparative and International Education, and reprinted in the *Journal of Tertiary Educational Administration*, May 1987.

(5) "It is clear both to the corporations and to the universities that what is involved is not the philanthropic support of higher education but the buying and selling of a product. Even that may be fair enough since it can certainly be argued that universities sell a product - knowledge - to society as a whole in return for society's financial support. But with society - in the form of governments - universities have traditionally resisted very specific direction of programs and research, even when this resistance has not been entirely successful. With the corporations we appear to be inviting precisely what we fear with the governments... We are abandoning one set of values traditionally associated with institutions of higher learning and embracing another set of values traditionally associated with the world of business." (Robert Weyant, Dean of the Faculty of General Studies, University of Calgary, "What is a university profited, if it shall gain a Department of Entrepreneurship, and lose its academic scul", *Queen's Gazette*, Kingston, reproduced in *ACU Bulletin of Current Documentation*, February 1987, p. 11).

(6) Alexander has characterized the ideology of the "new class" in education as "a belief in professionalism, anti-egalitarianism, amorality in regard to political power and incomes, and a commitment to the advancement of science and technology. Because of their command of scarce intellectual capital, the new class wants a wage system which recognizes its special contribution, 'from each according to his ability, to each according to his work'. This clearly works to the benefit of the new class. They see this as just." (Don Alexander, "The New Class: Reconstituting a Neglected Social Construct?", *Unicorn*, XII, 1, February 1986, p. 26.)

(7) This was not always so, a point made by Peter Scott in writing about the modern university in Britain:

"It is of course difficult to measure the development of this research culture except in anecdotal and impressionistic terms. Yet its growing force was unmistakable in the 1950s and 60s. In 1958 the UGC quoted, with plain regret for their passing, the reported views of Jowett on research:

> 'Research, he seems to have thought, was more often than not a self-indulgence, an agreeable escape from more urgent, if more tedious, duties... If teaching was their function they must put their pupils first and do their research in their spare time.'

The committee then described the new priority that research had come to enjoy at the end of the 1950s:

> 'Since Jowett's time the wonders of scientific discovery and technological achievement have created an atmosphere in which it is almost taken for granted that to take part in scientific research is the highest destiny of man. We have heard it suggested that the standard of a university institution is

measurable by the amount of research which is done there.'" (Peter Scott, *op cit*, p. 129).

This is now, of course, an unexceptional view in 1987 Britain or 1987 Australia. Institutions with poor research records and with low completion rates for research higher degrees are being vigorously penalized by a "black-list" process in Britain. The Hudson Report indicates that the same trends towards selectivity may also happen here, both in terms of higher degree enrolments and research funding allocations.

(8) "We must reject myopic short-term solutions to our problems (in the name of responding to market forces) and strive to maintain instead a long-term perspective. To succumb to the former temptation is to risk cannibalization of the fundamental strengths of the university, acquired through the efforts of generations of faculty members." (R.P. Bareikis, "Academe as Marketplace", *Academe*, July-August 1985).

(9) "While a market-based, full cost recovery approach to overseas students is a possible alternative to the present system, such an approach could not readily be accommodated into the Australian education system as presently structured. It would also go against attempts to develop a predictable and rational approach to educational planning in Australia, including a planned balance of Australian and overseas students. A market-based approach could also upset the many educational, cultural, foreign policy and other interests which surround the program, based as it is on a view of education as a commodity which can be bought and sold in accordance with the dictates of the market." (Goldring, p. 85)

(10) "As the education clients of the aid programme diminish, so the demand for private access to Australian education grows, and this trend will continue. However, there is no doubt that Australia has been very slow to capitalize upon this international demand for increased student mobility.The key question of how best to do this without undermining the integrity and goals of the aid program or prejudicing the domestic responsibilities of Australian educational institutions is awaiting solution." (P.W. Jones, *Australia's International Relations in Education*, Australian Council for Educational Research, 1986, p. 103).

Jones suggests that, "with a central role announced for the Overseas Student Office, and the enunciation of bewildering guidelines dealing with the gap between full and marginal costs, and requirements for institutions to reimburse the Commonwealth for any effective subsidizing of marketed services (e.g. for use of facilities provided under Commonwealth funding), entrepreneurial institutions are likely to perceive an even more complex and centralized pattern of control and regulation than some of their free market advocates could happily tolerate.

To date, evidence can he mustered that the 'convenience factor' continues to reign supreme, particularly in responses from the Canberra-based bureaucracy, and that a stereotyped view of potential clients is being adopted in order to prevent as little shift as possible in current arrangements." (Page 106)

(11) A conference of International Liaison Officers in 1986 had recognized that "This period has been one of rapid change in Britain's attitude to international education that has placed its universities in a commercial/educational dilemma in

which compromise is difficult to find. During this period, a number of indefensible developments occurred. A certain amount of sharp practice, either accidental or deliberate, took place and centred on the use of unscrupulous or naive private agents, the poaching of students and making of on-the-spot offers during poorly organized recruitment missions abroad." (*ACU Bulletin of Current Documentation*, Number 77, February 1987, p. 22).

The *Times Higher Education Supplement* provided illustrations, recording, for example, a complaint that polytechnic attempts to vie with universities in recruitment drives for Malaysian students are resulting in a free-for-all threatening to damage Britain's higher education reputation. It was asserted that Malaysian schools, colleges and government agencies were sick and tired of aggressive techniques, termed the worst kind of carpet-bagging, and that "British education is in great danger of discrediting itself." (*THES*, 5.12.86)

There is also a salutary warning for Australian institutions in the experience of the University of Wales in coming to heavily depend upon and then plan on fee income from overseas students. In another issue of *THES*, (6.2.87), it was reported that Bill Bevan faced a governing body notice of no-confidence in his ability to direct the Cardiff College's financial recovery plan. He believed that the College could "earn our way out of difficulties by being attractive to overseas and part-time students. But we didn't expect to lose 350 Nigerian students following their coup - that was worth one million pounds in fees." The College has now built up its investment in overseas enrolments to 850, but has followed the precepts of wise stockbroking and diversified its portfolio to include 22 different countries.

(12) Writing of British Universities, Peter Scott suggests that, "if this (loss of a common intellectual language) is true, it has important and depressing implications for the ability of the university to maintain its traditional autonomy and so for the ability of society to organize its intellectual effort under conditions of freedom.

It may also mean that the university itself will increasingly be controlled by knowledge bureaucrats who possess a meta-language of bureaucratic command which has filled the vacuum created by the disappearance of a common intellectual language. In a strange and disturbing inversion of the natural order of the liberal university, essentially administrative values would then become superior to intellectual values". (Scott, *op. cit.*, p.115)

(13) "The central task of universities remains, not the production of predetermined numbers of persons trained in particular and instantly usable skills, but the broad and humane education of civilized men and women who will be citizens and voters, the parents and teachers of tomorrow". Gelber contends that, for universities to become too deeply enmeshed in "programmes of social amelioration" will lead to a loss of longer term direction. (Harry Gelber, *The Universities: Current Problems and Future Options*, Institute of Public Affairs, 1986, quoted in Dixon).

(14) "Institutes of technology unrestricted with respect to their role in applied research and development are necessary to the preservation of the university that Gelber describes. The institutes will allow the universities to maintain a bal-

ance between their professional and other faculties and pay prime attention to international standards of scholarship, goals that are at risk as politicians seek to turn universities into institutes of technology." (T. Dixon, "Creating an Alternative Structure in Australian Higher Education", "Visions of Higher Education", an international conference at the Gottlieb Duttweiler Institute, Zurich, August 1986, p. 14).

(15) J. Anwyl, "Sliding Towards Anarchy in Higher Education Planning", edited version reproduced in *The Australian*, 8.4.1987 and 15.4.87.

Professor Scott's paper dealt with principles as well as caveats, and both were discussed.

While new styles of academic management may be efficient, there are risks in "hard-nosed" managerial style. While institutions retain the ability to devote "profits" to supporting "unprofitable" subjects, will they do so?

Traditional academic values and their enunciation through customary academic governance procedures may not be a sufficient defense against the dangers involved in privatization. The creation of companies within universities to contain the "private problem" may help, though some always feel slighted.

But the pressure to justify, "sell" yourself in an academic setting can be appropriate and fruitful, for the historian doing contract local histories as for the engineer. Marketing the humanities is an interesting challenge.

Professor Scott noted that he emphasized the negatives for consideration; the benefits can be very real.

CHAPTER SEVEN

INITIAL PLANS FOR AN INTERNATIONALLY SIGNIFICANT PRIVATE UNIVERSITY

A John T Ford
Secretary to the Advisory Council of Bond University

and

Donald W Watts
Vice-Chancellor of Curtin University of Technology and Vice-Chancellor Elect of Bond University

Part 1 - John Ford

The Bond Corporation, a large Australian company operating internationally with interests in brewing, media and energy, and E I E Development Company, a large Japanese company with interests in electronics and computing, have decided to establish the Bond University, Australia's first privately funded university.

Stage 1 of the University involves a commitment of $125 million to provide for an enrolment of 2,500 students. The first intake of 800-1,000 students is planned for 1989 and Stage 1 enrolment level will be reached in 1991, the third year of operation.

Much credit for development of the new University must go to the Advisory Council which was established in August last year. The Council is made up of:-

Mr Alan Bond, A O (Chairman)	Chairman, Bond Corporation Alternate Member: Mr John Bond,Executive Director, Bond Corporation
Sir Sydney Schubert	Co-ordinator General, Queensland
Dr R Bungo Ishizaki, M A	E I E Development Company (Japan)
Professor Ralph Parsons	Deputy Vice-Chancellor (Academic) University of Queensland

Professor Colin Masters	Pro-Vice-Chancellor (Academic) Griffith University
Professor John F Lovering	Deputy Vice-Chancellor (Research) University of Melbourne, Vice-Chancellor Elect Flinders University
Dr R Dennis Gibson	Director, Queensland Institute of Technology
Dr Peter Botsman, A M	Director, Brisbane College of Advanced Education
Mr Robin Gibson, A O	Architect, Robin Gibson & Partners
Mr Peter Beckwith	Managing Director, Bond Corporation
Mr Brian E Orr	Project Manager, Bond University

At its first meeting in September 1986, the Advisory Council established an Academic Committee, a Buildings and Grounds Committee, a Committee on Governance and Administrative Structure, a Staffing Committee and a Committee to appoint the Inaugural Vice-Chancellor.

I propose today to outline progress made by the Committee on Governance and Administrative Structure in developing the overall structure of the work of the Committee and advice it has received from solicitors and consultants. Two significant steps have been achieved. A University company has been incorporated under the Companies (Queensland) Code and Queensland legislature has passed the University legislation. I will outline the main provisions of the Memorandum and Articles of the University company and of the legislation. I will then explain the overall structure which has been developed to provide a return to investors and within which the University company is a non-profit entity. Some of this structure is yet to be put in place. Also, I will briefly refer to the master plan for the University's physical development. The Vice-Chancellor will later refer to academic planning.

The University Company

(a) Memorandum of Association

A Company limited by guarantee was incorporated in February this year under the "Companies (Queensland) Code" by the name "Bond University Limited" having as its major object the establishment, operation, maintenance and promotion of Bond University in Queensland.

The objects of the Company without limiting the generality of the major object include the following:-

to encourage and provide facilities for study and research generally;

to provide educational facilities at university standard for all persons who, without discrimination and from all sections of the public are eligible and seeking the benefits of such facilities;

to establish facilities for providing courses of study or instruction at such levels of attainment as the Board of the Company deems proper to meet the special needs of the community;

to award and confer degrees, diplomas and other awards;

to aid, by research and other appropriate means, the advancement and development of knowledge and the practical application of knowledge to government, industry, commerce and the community;

to undertake such research, development, consultancy or other services for commercial organizations, public bodies or individuals which, in the opinion of the Board of the Company, are appropriate to be undertaken by public educational institutions.

The Memorandum of Association also provides the Company with a wide range of powers for the purpose of carrying out the "aforesaid objects". These are too numerous to mention here but include all the usual powers of companies in relation to purchasing, leasing, exchanging, hiring or acquiring lands, buildings or any other property, real and personal, required for the purposes of the Company.

The Company also has the power "to enter into any arrangements with any Government or authority supreme, municipal or local" and a range of financial powers such as "to invest and deal with the money of the Company not immediately required ..."; "to borrow or raise or secure the payment of money ..."; "to turn to account or otherwise deal with all or any part of the property and rights of the Company".

The Memorandum also includes some provisions which are specifically related to the conduct of the University. There is a provision "to establish such faculties, departments, schools or other organizational sections or units as the Board of the Company sees fit".

Also there is provision to charge fees, to hold or arrange competitions and to provide or contribute towards the provision of prizes and awards and to buy, sell and deal in all kinds of apparatus and provisions.

In relation to staff, the Memorandum empowers the Company "to appoint, employ, remove or suspend such professors, other academic and teaching staff, and such administrative and other officers and staff within the University as the Board of the Company may from time to time determine ..."

The Memorandum also makes it clear that the University Company is a non-profit undertaking by providing that "the income and property of the Company, whencesoever derived, shall be applied solely towards the promotion of the objects of the Company and no portion thereof shall be paid or transferred, directly or indirectly by way of dividend, bonus or otherwise, to the members of the Company, or to any of them or to any person claiming through any of them".

(b) Articles of Association

The Articles of Association of the Company define a "Councillor" as a "Director of the Company" and the "University Council" as the Board of Councillors. In effect, the Board of Directors of the Company becomes the University Council.

There is provision for the number of Councillors to be not less than seven (7) nor more than twenty-one (21) or such other number as may be fixed from time to time by the members of the Company in general meeting. In deciding the composition of the first Council, it is intended that the views of the Advisory Council and the inaugural Vice-Chancellor will be taken into account.

There are the usual provisions whereby the office of a Councillor shall become vacant by reason of bankruptcy, the operation of sections of the Company code, the Councillor becoming of unsound mind or through resignation of office by notice in writing to the Company.

The University Council will have responsibility for management of the business of the Company (Bond University Limited).

Powers of the University Council can be regarded as being analogous to those of the governing body in the other Australian universities. There are the usual provisions for minutes to be made of all meetings of the Company and of the University Council and requirements of a quorum and voting rights at Council meetings. There is provision for the Council to elect a Chancellor and Deputy Chancellor with the requirement that the Chancellor preside at Council meetings or, in his absence, the Deputy Chancellor.

The Articles also provide that "the University Council shall constitute an Academic Senate, to which it shall (subject to any regulations, policies or requirements laid down from time to time by the University Council) delegate the academic functions and policies of the Company. The Academic Senate shall be chaired by the Vice-Chancellor, and shall consist of such other members of the academic staff of the Company as the University Council shall from time to time appoint, or as shall be determined in the manner laid down from time to time by the University Council". Again, it is intended that the views of the Advisory Council and those of the Vice-Chancellor on the composition of the Academic Senate will be taken into account.

The Vice-Chancellor is an ex-officio member of the University Council. Provision is made for the University Council to confer on the Vice-Chancellor any powers exercised by the University Council.

Also, provisions made for appointment of a Registrar "to perform the duties of a secretary of the Company and such other duties as the University Council may determine from time to time". Other provisions relate to the Annual General Meetings or special meetings of the Company, as distinct from the University, and for formalities such as custody and use of the seal and the University crest, and for preparation of accounts and the appointment of auditors.

Legislation

The Queensland Government has given the establishment of the University its strong support. The Legislative Assembly of Queensland has passed legislation "to provide in relation to the operation of a university in Queensland under the name and style Bond University". (Act 19 - Assented to 23rd April, 1987.)

Legislation provides:

(1) The function of the University Company is to pursue, within the limits of financial resources available to it, the objects provided by its Memorandum of Association, and in particular, the University Company may award and confer degrees, diplomas and other awards as awards of a tertiary educational institution.

(2) In the discharge of its function the University Company has and may exercise within the limits of financial resources available to it the powers conferred on it by its Memorandum of Association and in particular:-

(a) may do all such things as are necessary or reasonably desirable for the proper maintenance, promotion or operation of Bond University; and

(b) may establish, abolish, replace and add to faculties, departments, schools or other organizational sections or units within Bond University as the University Council thinks fit.

Under the "principle of non-discrimination", the legislation provides "no test of religion, politics, race or sex shall be administered to any person in order to entitle that person to be admitted as a student of Bond University or to hold any office therein or to graduate there from or to enjoy any advantage, benefit or privilege thereof".

The legislation also provides, along lines similar to other universities, that the University Company may establish one or more investment common funds and in relation to gifts, bequests, bursaries and scholarships authorizes the University Company to acquire and apply gifts and bequests upon trust for the benefit of the University or colleges, centres, institutions, or other bodies within or associated with Bond University.

Provision is made whereby a student of the University who has not attained the age of full legal capacity shall in relation to loans be deemed to have full capacity in law.

Finally, the legislation includes the provision that the University Company alone is responsible for and has authority over the provision of education within Bond University and shall not be subject therein to the direction of any person.

This legislation provides an important public affirmation of the support of the Government of Queensland for the establishment of Bond University.

Overall Structure

As mentioned earlier, the University is a non-profit company within an overall structure which will be required to provide a return to investors.

Development of the University is at present being supported equally by the two joint venture partners, Bond Corporation on the one hand and E I E Development Company, a large Japanese company, and Dr Tanioka, on the other. The joint venture partners have provided all the land involved, some 790 acres, and approximately $30 million. Additional funds for construction will be raised by way of loans to the joint venture company. These loans ultimately will be repaid from funds raised through a public issue of units in a Public Property Trust to be known as Bond University Trust. It is planned that this will take place when Stage 1 of the University, an enrolment of 2,500 students, is complete.

Bond University's overall structure ultimately will comprise three main elements; a public trust (Bond University Trust), a private trust (Burleigh Forest Trust) and a non-profit company (Bond University). For each of these trusts there will be a management company (in the case of the Public Trust, a statutory management company) and a trustee.

The public trust (Bond University Trust) will own all the land zoned Special Purpose - University (about 214 hectares which includes a large lake) and all buildings for use by the University. Initially this will include the academic buildings, student accommodation and campus retail and commercial activities. The Research Park and the future shopping centre also will fall into this category. However, part or all of these activities may be sold eventually.

The private trust (Burleigh Forest Trust) will own all land surrounding the University site zoned for residential development. It will undertake development and sale of this land and management of all commercial activities on the University land. Proceeds from activities of the Burleigh Forest Trust will be distributed to the Public Trust and the University Company.

Within this structure, the University will be a non-profit company limited by guarantee. In addition to distribution from the private trust, the University will derive its revenue from student fees. The University will actively seek support from the private sector both in the form of direct funding and through provision of scholarships and cadetships. Through success of these endeavours it will be possible to reduce the level of student

fees. Location of the University and its excellent facilities will make it a first-class venue for short professional development courses and for conferences and conventions, all of which are seen as revenue-generating activities.

The overall structure has been developed with a view to achieving for the Bond University the same conditions in relation to taxation as apply to other Australian universities.

Development of the Master Plan

Mr Daryl Jackson, a well-known Australian architect, has been appointed Master Planner and already has developed a plan which allows for eventual development of the University to accommodate 10,000 students. The plan makes good use of the attractive features of the site. It provides for an entry concourse with five storey buildings for Administration and Library and a vista through to a lake around which social facilities, including student union, restaurant and recreation areas are grouped. The walk-up Academic Buildings are grouped around the Administration, Library and Social Buildings commencing with Arts, Law and Business and continuing along an academic spine through Computing, Science and Engineering, with the latter being located close to the Research Park. Mr Arato Isozaki, a Japanese architect of international repute, will be commissioned to design the Library and Administration buildings.

To take advantage of the attractive location of the University campus within five minutes' drive of appealing surfing beaches and adjacent to residential areas of canal development, a major site works contract has been let. This involves moving 3.5 million cubic metres of sand and marine clay. When this contract is completed, a lake will be incorporated into the site with sufficient length to provide a full two-kilometre Olympic rowing course.

Concluding Note to Part I

We believe the project will contribute to Australian economic development by providing Australian students with career-oriented degree programs and opportunities for research in high demand areas. To the extent that the University is successful in attracting overseas students from Pacific Rim countries it will contribute to a better understanding with Australia's trading partners and to foreign exchange earnings.

Part II - Don Watts

Firstly, I thank John Ford for the willingness he showed in joining me in this joint presentation. John's experience in the University of New South Wales and later in the establishment of Macquarie University has been invaluable to Bond University, to its Advisory Council and to me in the past few weeks as I have attempted to work full-time for Curtin University while handling the demands of my emerging role with Bond University.

Secondly, I must acknowledge the work of the Advisory Council in establishing all those important legislative, business and planning structures

which will allow the University to enrol undergraduates in 1989. Especially I acknowledge Professors Ralph Parsons and Colin Masters, Drs Dennis Gibson and Peter Botsman and Professor John Lovering respectively from the University of Queensland, Griffith University, Queensland Institute of Technology, Brisbane College of Advanced Education and the University of Melbourne, who enthusiastically have given their time and whose institutions have shown such goodwill to Australia's first private university.

In the long term the ethos of a university is created and maintained by its academic community involving staff, graduates and students, rather than being imposed by the initial Council or its inaugural Vice-Chancellor. However, the foundation Vice-Chancellor and the Council must define the initial mission and goals of the institution before staff or students can be attracted to the University.

With this responsibility in mind I have drafted a statement of mission for the Advisory Council to contemplate, to change and eventually adopt. It is an attempt to establish a founding ethos for a university. I hope it will serve Bond University well until the management and Council, with the University's internal community of staff and students in consultation with customers and friends, can provide a more lasting definition of its unique character. I hope also that this mission will serve a useful purpose today in providing my audience with some understanding of Australia's newest university.

The first draft of our mission states:

> "As Australia's only private university, Bond University is dedicated to fulfilling a dynamic role in enhancing the nation's development and international standing through:
>
> establishing in Australia a characteristically Australian university of the highest quality, the culture and attitudes of which are in harmony with the nation's unique balance of private and public endeavour;
>
> encouraging the adoption of learning and research, scholarly evaluation, individual enterprise, co-operative endeavour, and national responsibility as ideals of life-long value for all those influenced by the university;
>
> looking forward in evaluating its own future role in both creating and responding to social, cultural, economic and technological change;
>
> creating an international university capable of increasing Australia's influence particularly in the countries of the Pacific Rim by establishing avenues for co-operative learning and research partnerships;
>
> integrating the commercial aspirations of the leaders in public and private sector research and development with the academic pursuits of the university's staff and students to produce more practical applica-

tion of their learning without prejudicing the independence of the university, its staff and its students;

seeking community interest and support in planning to create harmony with those in the Gold Coast region who can benefit from and contribute to the life of the university;

encouraging in all students the ambition to strive for the achievement of personal goals as a basis for individual fulfilment;

seeking to establish harmonious and co-operative relationships with other universities and colleges as a means of extending both the opportunity to enter and the quality of higher education in Australia;

developing a strong presence in continuing education and in short courses designed to meet the needs of the local community and of business managers and professionals nationally and within the Pacific Rim countries".

A superficial examination of such a mission may lead some to suggest that there may be little difference between the existing Australian universities and such a private institution. However, I believe the mission if fulfilled will result in a more dynamic institution, motivated by the demands of its place in international competition and proactive in response to perceived deficiencies in the Australian culture, instead of reactive to the environment and conservative in rejecting evidence of the need for change. A closer working relationship with the private sector and an adoption of some of its values will encourage quicker response to community needs, while the multiplicity of funding sources will create a university with genuine autonomy and a strong sense of self-determination.

The existence of such a mission demands of the Council and the initial staff that a set of objectives and strategies be endorsed to define the optimal path for the fulfilment of the mission. These goals and strategies will prescribe boundaries for the procedures by which staff and students are recruited, by which courses are designed and will set guidelines for the interaction of Bond University with industry and commerce, government at all levels, and the multitude of local, national, international and professional groups with which the University must work. These guidelines will also set goals and strategies which will ensure co-operative and mutually beneficial relationships with the public education system.

I will discuss these objectives to the extent to which they have been formulated and adopted under the following headings:

(i) Courses and their Delivery;
(ii) University Research and the Research Park;
(iii) Staffing;
(iv) Students;
(v) Marketing and Corporate Style.

(i) Courses and their Delivery

The emphasis from the outset will be to offer high quality programs with academic standards at least comparable with those offered by the existing

Australian university system. Standards will also be related to those which characterize institutions of international significance, particularly in respect to the technological infrastructure which is sadly neglected in our public institutions.

In fields where professional recognition is important, such as accounting and engineering, steps will be taken to ensure that programs comply with the requirements set by relevant professional bodies.

It is expected that provision will be made for all undergraduate students and, where necessary, postgraduate students to complete courses directed at improving communication skills, including reading, listening, report writing and speaking and at producing high standards in computer competence. It is also planned to provide support in areas such as learning skills.

While no final decisions have been made about the initial course offerings, it has been determined that opportunities will exist to study in areas which encompass the full spectrum of human interest and creativity. This breadth of scholarship is seen to be necessary to produce an environment in which it is possible to educate men and women capable of understanding and contributing in our rapidly changing and complex societies. It is also recognized that this diversity of scholarship is necessary if Bond University is to assume a place among the important centres of learning and scholarship.

Thus the University will offer courses in the arts and humanities including language and literature with a special interest in the Australian culture, human communications, fine arts and Asian languages, initially Japanese and later Chinese.

Business education, emphasizing international business and spearheaded by a prestigious Graduate School of International Business, will concentrate on the needs of accounting and financial management, of the banking and insurance industries and of commercial and business law. All these programs will be linked by computer and information systems education which is fast becoming the essential infrastructure of all business. The extent to which general law qualifications will be offered and whether such courses will be undergraduate or postgraduate has not been determined.

Engineering courses will be offered with an emphasis on communications engineering, microelectronics and computing with this activity underpinning studies in flexible manufacturing systems and computer assisted design and manufacture. In addition there seem to be opportunities both for Australia and our region of influence to provide qualifications in environmental engineering.

Physical and natural sciences will include mathematics, computing, chemistry, physics and biological science, emphasizing activities which relate to technological application and to future options for the development of value-added earnings from Australia's natural resources. Niches seem to exist in the medical sciences, biotechnology, materials science, applied optics and aquaculture.

The emergence of the health professions separate from medical schools provides a range of opportunities for health studies which relate closely to the needs of the Gold Coast community.

The extent to which the social sciences exist as a separate area or one integrated in areas such as economics, personnel management, industrial relations, health studies and Australian studies does not seem to have been addressed by the Advisory Council at this stage.

Innovation in teaching in universities has been distinctly lacking. I suspect that many possible changes have been rejected simply because of the comfort of the status quo. Why do we ask staff to give the same lecture every year to bored students when modern communication systems could allow students to access the lecture when relevant? Why do we provide so many seats in libraries when the majority of the information could be provided through a personal computer with access to a library information system? This personal computer could be in the student's home or in rooms in a student residence. What important work could our academic staff do for students if they were relieved of the soul-destroying and not very enlightening load of repetitive lecturing? In the days of all this modern technology why do universities copy one another's staffing profiles? Why do we not have more very high quality professors with strong graduate schools where our young graduate students could play a fully participatory role in tutorial activity with the professors in the education of undergraduate students, thus further developing themselves while producing an exciting environment for young students? Why do we insist on four years of study for a degree in engineering? Why do we allow out students to study for only sixty percent of the year?

In the next few months every single element of the delivery system which has assumed almost sacred significance will be tested and questioned as we seek to determine the nature of an educational institution determined to grow in international significance in readiness for the 1990s and beyond.

(ii) University Research and the Research Park

Australia must face the problem of research dilution. We have a large land mass with our creative capacity in both human and physical terms stretched around the perimeter. Our tertiary institutions have been characterized by their isolation from one another, from government research organizations such as CSIRO and from industry and commerce.

The Research Park concept, and for those with subtle understanding of the difference, the Technology Park, have more relevance to Australia than any other country. The need for Australia to concentrate its human potential for research and innovation and its capital investment in terms of equipment is central to the future productivity of Australia's industry and our capacity to extract value-added earnings from our primary resource industries.

In my view a private university and its associated Research Park is the ideal environment in which to bring together a significant part of the research investment of a region where mechanisms such as research con-

tracts, joint appointment, adjunct positions, secondments, shared equipment, joint supervision and sandwich courses, produce an ideal environment for research training. A positive attitude to entrepreneurship and wealth creation and a new cultural symbolism for our undergraduate students will follow. In such an environment education may become a dynamic force in changing our culture through matching education and research to national needs and removing it from the ethos of a social service.

The philosophy behind all these changes is well understood. However in Australia the public universities, the public research institutions and the private sector have lacked the confidence necessary to look outwards and have indulged themselves by criticizing each other. It is Bond University's intention in its precinct and elsewhere to prove that co-operative research and innovation can be done in Australia. We will provide on a commercial basis and hope to receive on the same basis access to people and equipment so that industry benefits from our investment and young Australians can undertake their research in an internationally competitive environment. Hopefully, once such an environment is established, government will produce a research funding system in which costs and subsidies are not hidden and in which total accountability is evident.

On this topic let me conclude by saying that in my view the symbiosis of the University and its Research Park would be complete if every postgraduate student in science and technology was doing research in the Research Park or was under joint university-industry supervision.

(iii) Staffing

It is my hope that Bond University will be characterized by a single staff, pursuing university-wide objectives and that, if a union of staff emerges, it is one which covers all staff. Despite my strong commitment to produce a unified body of academic and support staff, today I will concentrate on those staff with direct teaching and research initiation roles - in our class structure of university employment - the academic staff.

There are two objectives in the draft document before the Advisory Council which may lead to a new approach to the relationships between management and academic staff in Australian education. I quote them in full:-

> * Establish conditions of employment which will lead to the appointment of high quality staff on conditions which respect the mutual benefits which flow to both the University and to staff from permanent commitments, appraisal of performance, a responsibility to perform at agreed standards, and from a reward system in which individual conditions of employment are confidential and relate to performance, qualifications and to conditions in relevant sections of professional labour markets, and to
>
> establish programs and opportunities for staff development based upon appraisal of staff performance at all levels and the assessment and evolution of the role and emphasis of the University's endeav-

ours, so that a harmony is achieved between individual and institutional aspirations, capacities, and responsibilities.

I do not wish to dwell on the climate that could be created if these objectives are achieved. I state simply that I am sure if the public system is used as a benchmark, our staff will be seen to be more fulfilled, our students will be better served and the body corporate will establish a special place of harmony with the Australian community.

It is within this employment climate that the University has advertised for six or so Professors or Deans to participate with the Vice-Chancellor in planning the details of our academic programs. While the appointees carry out these duties the University will participate with them in planning the appropriate role for them to play once the major task is the management and delivery of teaching and research.

(iv) Students

Naturally Bond University aspires to attract the highest quality student from both the domestic and international market. It is an immediate priority for the University to seek private individual and corporate sponsorship to the extent that all Australians can aspire to study in this new university. A responsibility to admit students without discrimination, while recognizing that sponsorship which produces affirmative action for Australia's Aboriginal people, other pockets of ethnic disadvantage, and say, for women in engineering, is a desirable innovation in improving the performance of our whole society and in producing equity in terms of the provision of opportunities for self-fulfilment.

In all areas minimum entry performances and prerequisites will be specified. However, flexible assessment procedures will be used and bridging programs mounted within the University or in cooperation with others to further spread opportunities for entry into higher education.

The shape of the student population has not been determined. My own view at this stage, is that we should aim for an Australian intake into degree programs in excess of 50% with the remainder drawn from the countries of the Asian and Pacific Ocean regions.

It is also my view that the level of postgraduate activity should be higher than in most universities in Australia. I have already emphasized the benefits for all students that would flow from a large tutorial staff pursuing postgraduate qualifications. The benefits to the research aspirations of the University are obvious.

(v) Marketing and Corporate Style

Bond University must have a consistent image which relates to its mission and its corporate objectives. The University will perform in a range of markets, all of which are complementary and none of which can gain maximum credibility outside the single corporate image of the University. We will be marketing to potential students and their families, to industry and commerce as a place for research and the provision of short courses, to

government as a place in which to carry out high quality research, and to individuals and corporations who share our objectives and who may manifest previously hidden values of public benevolence. We must also learn to deliver value within the private sector so that those who offer sponsorship return to establish long term commitments to the University.

Bond University must be sure of itself, confident in its destiny and capable of projecting a corporate style that is honest to itself and appealing in all these markets. This challenge is immediate and our willingness to face it will produce publicly available material in the near future.

Finally, I apologise for a lack of specificity. However I hope that John Ford and I have produced for you an understanding of why Bond University has a special future in Australian education which will benefit all Australians. I have no doubt that all of us who face the challenge, and who have dedicated years to our public universities, believe that a private yardstick will be to the benefit of the public system.

Many questions of detail about the Bond University were asked throughout the conference, but formal discussion centred on two major themes.

The first was the apparently substantial complexity of the corporate structures and arrangements involved. For-profit, and non-profit corporations are involved, and questions of the taxability of revenues, donations, etc., will not be settled immediately. It was emphasized that much of the structural arrangements are still tentative. The university itself is however similar to other institutions of higher education: set up under a State Act, and as a limited company somewhat like RMIT, for example.

Second were the questions of who will come, and to what sort of institution with what credibility. Credibility would be established by convincing companies to provide sponsorship, offering short course programmes so the public can gain experience of the institution, peer assessment of the foundation academic staff, and research and the immediate recruitment of research students. There are problems with credibility, but they are similar to those experienced by other new Australian universities.

Students will be recruited through sponsored scholarships; the university must try to recruit nationally; they will search for clienteles, using all legitimate techniques. Professor Watts concluded: "I have some ideals, and I'm about to do some experiments..."

CHAPTER EIGHT

THE HYBRID APPROACH
THE NORTHERN RIVERS CASE STUDY

ROD TREYVAUD

Principal, Northern Rivers College of Advanced Education

This paper is written as a case study of the Northern Rivers College of Advanced Education and the College's proposed involvement in the development of a privately funded educational institution at Cape Byron. The paper has four basic themes or objectives.

To outline the factors which prompted the Northern Rivers College to support the development of a private educational institution at Cape Byron.

To briefly consider the reasons why a private developer was prepared to provide facilities for the Northern Rivers College.

To describe the conditions underlying the contractual arrangements entered into by the College and the developer.

To postulate the major problems that may arise in the future in regard to the implementation of the programme.

In the short time available, I can only provide a brief outline of these four themes. At the outset, I must say that we have only taken the first step. If I had known the complexity of the problem and the type and nature of the opposition from many sources that has arisen during the development phase of this project, I seriously doubt whether it would have got off the ground. However, we have a challenge and we have the staff and a College Council that can respond to this challenge.

1. The Northern Rivers Problem

The Northern Rivers College was the smallest multi-purpose college in Australia. In 1984, it had a total recurrent budget of $5.1 million based upon a funded student population of 820, ranging over 13 courses. Over one-third of the students were enrolled in Teacher Education. Apart from Teacher Education and Business Studies, all courses had enrolments of less than one hundred and four courses had enrolments of less than thirty. Only

one degree programme in Business Studies was offered and half the students were enrolled in Associate Diploma courses. As a result of this small size and low course enrolments, the quality of the educational programmes suffered.

There were acute staffing problems. The staff were unable to specialize and were forced to teach a wide range of courses over a number of levels from year to year. Many staff were required to teach outside their fields of specialization. The College relied heavily on part-time staff. Staff found it difficult because of their teaching load and the location of the College to maintain professional contacts, gain access to libraries and to evaluate the academic quality of their courses. As there had been little growth in the College and a small turnover of staff in Teacher Education, the College was unable to respond to new initiatives or seek new directions.

The library resources were totally inadequate. In 1984, the College had the smallest library of any multi-purpose college in Australia. Expenditure on library materials over the previous five years was approximately $50,000 per annum. Between 1979 and 1983, the number of items acquired by the library fell by 40% and library usage as measured by loans fell by 20%. There was no library on the campus that housed the Schools of Education and Scientific Studies. As a consequence, courses were overloaded with formal classroom activities and the opportunity for independent study by students was minimal.

On the capital side in the period to 1984 the Commonwealth had only provided $3 million for buildings despite the fact that, as far back as 1978, the Commonwealth Tertiary Education Commission said, "the present premises of the N.R.C.A.E. are substandard and unsuited for advanced education". The majority of students were housed in a dilapidated, flood-prone building which was constructed in 1902. Supplementary accommodation is available in a renovated popcorn factory and a Masonic Temple. This year classes have been canceled on two occasions because the structurally unsound buildings were flooded out. Staff are tired of having to move equipment to higher levels and continually lash students to the mast. If the present site is to be maintained the Commonwealth may find it cheaper to build an ark.

Residentially the College could only provide for seven percent of its full-time students in College owned accommodation. No other multi-purpose regional college had less than 25% of their full- time students in subsidized owned accommodation. The effect of the split campus and the totally inadequate buildings drained the morale of staff, prevented the development of integrated programmes, restricted the development of effective instructional techniques, prevented staff and students from studying on campus and was detrimental to the quality of the programmes. This situation deteriorated further when the State required that we take 300 nursing students and provided $200,000 for capital works.

The demand for the College's programmes in 1984 was limited. Despite the rapid growth of population in the North Coast Region of N.S.W., the Northern Rivers College was having some difficulty in maintaining de-

mand. This was evidenced by the undue emphasis placed on special entry students from the mature aged population and an early entrance scheme which admitted students on the basis of school reports, at scores below the advertised cut-off point. The reasons for this situation were many:

Students within proximity of the College tended to migrate to the capital cities. In general the students who left the region had higher school scores, higher educational expectations, came from the middle to higher income groups or wished to take courses not offered by the College. Students who remained were often impeded from moving as a result of parental pressure and the high cost of living away from home.

Students from outside the proximity of the College did not apply for entry as they were generally unaware of the College's existence, partly because it was not in the central admissions system. The College could not attract a large part-time enrolment because of the absence of employment opportunities and the failure of the College to effectively develop distance education modes of study as other regional colleges had done. Thus the College was excluded from this market.

The regional population was growing rapidly, basically from migration. As a result, there was a heavy intake of the older age cohort who were not seeking higher education, and of younger people who were unemployed or who chose to avoid employment and adopt alternative lifestyles. These people could live more effectively on social service benefits which were greater in the short term than government subsidies for tertiary studies.

The courses offered, with the exception of Business Studies, were not in high demand nor were they status areas. They were concentrated in primary teacher education and a gaggle of Associate Diploma programmes, often directed towards non-school leavers. As the majority of staff were in Teacher Education, there was little opportunity to re-direct staff.

2. The Possible Solutions

One must ponder how, in its sixteen years of existence, the Northern Rivers College could have been left in these circumstances. Clearly, the N.R.C.A.E. was not in a marginal seat and this militated against growth. At one point capital funds destined for the Northern Rivers College were transferred to the now defunct Goulburn C.A.E., which was located in a marginal seat. The current situation is that the funds are now being allocated to Western Sydney. Clearly, the fund providers were not interested or concerned with the development of a tertiary college on the North Coast of N.S.W. and never had been since its inception. The alternatives facing the College were:

Close the College - a proposal which had been put forward in the late seventies.

Allow the College to to absorbed by T.A.F.E. through the establishment of a community college. This development had been recommended by the State and Federal authorities and was used as the justification for not providing capital funds in the 1982-1984 Triennium.

Develop strategies to seek additional Commonwealth funds by improving the course offerings, increasing the promotional budget to attract students, lobbying governments through local councils and other regional organizations and yelling loudly.

Seek to combine with other tertiary institutions located in the region to gain access to economies of scale and enhance our ability to offer joint off campus programmes. The Gold Coast College was over the border, and the University of New England was not interested in its poor and common distant cousin. The obvious solution was Armidale C.A.E.

Try and attract private funds to the College while at the same time maintaining control over our programmes.

Our strategy was based on the last three alternatives. The pressure on government for more funding for recurrent and capital programmes appears to have been successful to date. In 1987 we enrolled around 1,700 EFTS - double the 1984 figure, and our first preference enrolments increased by 60%. We formed a consortium with the Armidale C.A.E. to offer professional inservice programmes at the post-graduate level for Nursing and Education and we successfully attracted some private funds. It is this latter point that the remainder of this paper is directed towards. However it is important to make the point that our motivation for this development was not vested in any belief in the benefits or cost of private higher education, but was given impetus by the public neglect of the Northern Rivers College over the previous decade and a half.

3. Private Funds - The Assumptions

In seeking private funding, it was clear that in a depressed rural area such as the North Coast, we could not rely on benefactors. Nor did the College have the status or the alumni to attract funds. The question we had to resolve was, what encouragement could we offer a commercial entrepreneur to invest in our College. This required initially, that we re-think a number of our own basic philosophies. The assumptions underlying our negotiations with the private sector were:

Education at the Northern Rivers College by itself cannot be a commercially viable area of endeavour given the nature of competition from high status, publicly funded institutions.

It is possible to combine both vocational and liberal education with leisure and enhance the effectiveness of both.

Adult and continuing education on a fee-paying basis was a legitimate function of the College. There was income to tap from this source as a result of the demographic patterns of the developed countries which indicate that not only is the population aging, but the older aged cohort is the most educated yet to pass through the pyramid. To the extent that educational demand is a self-generating process, the more this group will demand both for direct consumption and vocational reasons and has the capacity to pay for such education. Providing we are able to alter the sequencing of the curriculum and develop more effective teaching methods, the College may be able to tap this demand.

The nature of credentialling is changing as professional organizations are developing their own inservice programmes which are more flexible and suited to the needs of the profession. There is a growing tendency to establish mandatory minimum levels of inservice needed to maintain professional recognition. In this regard the U.S. model of post graduate institutionally based programmes to upgrade credentials is not totally appropriate.

There is no dichotomy, at least in the long term, between quality educational programmes and commercially packaged education. They are complementary.

Professional educators in the College possess skills in such areas as curriculum design, publishing, educational consultancy and teaching methods which are presently undervalued and are commercially saleable. A new industry was arising in the area of educational innovation and consultancy in the domestic as well as overseas markets.

Industry and commerce wish to participate in the educational processes. The abolition of fees and subsequent abolition of scholarships resulted in a massive reduction of private sector (and indeed public sector) employers' investment in education. This resulted in the past in a loss of influence over the educational process. Clearly employers, as distinct from professional bodies, wish to regain some of this influence.

Institutions of higher education will remain in a competitive situation as there is only a marginal excess demand for higher education by

students, bolstered by high levels of youth unemployment. The imposition of tuition fees and the reduction in the comparative long term benefits of graduates may lessen demand in the future.

There is potential to attract overseas students to the system on a fee-paying basis.

4. Private Developers - The Profit

On the basis of these assumptions, we suggested to the private developers that education could be profitable if:

The institution could be established in an area which has tourist capability. The offering of educational programmes combined with leisure could substantially increase occupancy rates and reduce the seasonality of the industry;

The market segments which were neglected were in the adult age cohorts and the major areas that could be exploited were:

mature aged overseas educational market particularly for programmes in Aboriginal studies and Australian ecology;

English language programmes for foreign students from the Asian region, particularly if they incorporated business studies and pre-tertiary study skills;

professional inservice educational programmes incorporating personal health, fitness and nutrition;

international semester programmes conducted jointly by U.S. and European universities and N.R.C.A.E.

The concentration was to be on adult education and short course programmes in the first instance. Each of these areas was investigated in depth prior to the developer making decisions.

The guality of the programmes would have to be of the highest standard and recognized by a public tertiary institution if demand was to be sustained in the long run.

The developer would be contributing to the educational sector in Australia which may result in taxation advantages.

The developer may wish to investigate the potential for capital gain on the site or on surrounding sites which they own. The College was not involved in this area. The investment potential had been substantially enhanced by currency devaluation. The proposal was considered by a group of chartered accountants. On the basis of a campus with 1,000 residential units in three villages of different standards

and costs, offering the programmes proposed, a reasonable rate of return could be anticipated from accommodation, travel and food and beverage services. In short, the developers could get a viable return for their estimated investment of $30 million.

5. N.R.C.A.E. Requirements of Private Developers

Many of the conditions laid down by the N.R.C.A.E. are contained in the Heads of Agreement between the College and the Cape Byron Academy, and the development approval issued by the N.S.W. Department of Environment and Planning. In summary these conditions were:

The site for the establishment of the Academy shall be zoned for educational purposes only. The purpose of this zoning was to ensure that the developers could not use the facilities or the site for pure tourist purposes. Any person wishing to utilize the facilities would have to be enrolled in an approved course of study.

The Northern Rivers College must retain complete control over the programmes operating at the site. No course of study shall operate without the approval of the College. The College wishes to ensure that its growing educational reputation is not tarnished by the operation of sub-standard programmes.

A minimum of 200 residential places will be made available to Northern Rivers College students at charges no greater than those levied in similar college-owned accommodation. The College would not guarantee that all places were occupied.

Financially, the College could not, under the State Grants Act and the State Audit Act, divert funds from its accredited programmes. Therefore, the College would not accept any financial obligations for any capital or recurrent outlays associated with the campus development or operation. The College agreed to pay a maximum of $10,000 per annum towards the utilities and maintenance of the educational facilities and residential accommodation used by its students. This was considerably cheaper than the amount expended on renting either the old popcorn factory or the Masonic Temple in the centre of Lismore.

Priority will be given to the Northern Rivers College and its affiliated organizations to conduct adult and continuing educational programmes on the campus. In the event that the College or an affiliated organization wishes to proceed with a course that the Academy does not deem to be commercially viable, the College may proceed providing it accepts the commercial risk.

The approval of the Federal and State education authorities must be obtained, where required, to operate this agreement. An assurance shall be given by the funding authorities that the College will not lose funds from government sources for this endeavour. Mr. Hugh Hudson gave this approval in a press statement at Lismore.

Provision must be made for disadvantaged groups. The North Coast Institute for Aboriginal Community Education shall be provided with office and tutorial accommodation and a retail outlet. Scholarships for low income earners from regional community groups studying at the site must be made available by the Academy.

Any services provided by the Northern Rivers College to the developers, once the approvals had been gained, shall be charged at agreed commercial rates through the College's commercial company, Norsearch.

These conditions were accepted by the developers. The reason why the College was able to negotiate such favourable conditions was that the development approval from the Department of Environment and Planning was conditional upon signing a Heads of Agreement between the College and the developers. The ability of the College to firmly negotiate a favourable agreement was strengthened by the opposition to the proposal by some environmental groups opposed to development on the site, the N.S.W. Lecturers' Association, some local business groups, some staff and the local press. These groups stimulated intense public debate which focussed attention on the negotiations, clarified some policy issues and strengthened our hand. The documents were also made available to government bodies associated with the College prior to the agreement being signed. Their feedback was invaluable.

The other advantage of the public debate was that the profile of the College was raised considerably. On the negative side, the debate often become personalized and vindictive and some staff members, members of the College Council, higher education officials and the developers had their reputations besmirched. At times the negotiations slowed down considerably because of the harassment, and the project was at risk on occasions. However, the benefits of public debate and scrutiny in these developments should not be under-estimated.

6 Benefits to Northern Rivers College

These developments led to the establishment of the hybrid organization in which facilities and educational control were vested in N.R.C.A.E. and financial obligation with the developers. This organization should not in any way be confused with the Bond University, as it is a partnership between the private and public sectors and not in competition with the public sector. In terms of fiscal constraint, if public higher education can work with the private sector in a constructive way there is no need for two systems to op-

erate. The future benefits that may be viewed by N.R.C.A.E. really depend on the initiative of the College staff. The potential benefits are:

Facilities

To relieve the present overcrowding in existing facilities and to provide specialist facilities of an international standard, particularly in the areas of sport science, hospitality management and the performing arts.

To provide appropriate and reasonably priced residential accommodation for students, to relieve the pressure on existing accommodation and to assist in retarding the upward movement in the prices of private rental accommodation for students.

Programmes

To develop additional accredited programmes which cater more adequately for the needs of students, particularly in health and recreational studies, food and beverage services, gerontology, music, theatre and teacher training in adult and continuing education, using the facilities and environment of the site.

To enhance the reputation of the College by developing adult and continuing programmes in association with other educational agencies and professional organizations.

To provide the opportunity to offer year round residential programmes in selected areas which will enable students to accelerate progress through their courses.

Students

To provide the opportunities for students to be more independent and self-sufficient while, at the same time, increasing their skills and providing income by:

tutoring in the continuing education programmes operating at the Academy,

operating a fitness centre at the Academy and being engaged in fitness testing and group and individual sporting programmes conducted at the academy,

assisting in the environmental development and protection of the site,

participating in the development of the entertainment activities on the site through recitals, theatre performance, exhibitions and media production,

gaining experience in a range of activities associated with the hospitality industry on the site,

expanding the range of specialized programmes available to students who may participate in programmes not available through the College, but offered by affiliated organizations including overseas tertiary institutions and professional bodies.

Income
To earn income through the operation of adult and continuing education programmes which may be used to enhance the quality of our existing programmes.

Public Image
To develop a national and international reputation for the Northern Rivers College, initially in the area of adult and continuing education.

To work co-operatively with other institutions and professional bodies in similar or complementary fields, thereby enhancing the reputation of the College and facilitating the placement of its graduates.

To increase the awareness of students of the opportunities provided by the Northern Rivers College.

To be able to complete effectively with both private and public institutions operating in similar fields.

To provide opportunities for overseas students to study in a range of specialized courses offered by the Northern Rivers College.

Staff
To increase the range and degree of specialization of staff of the Northern Rivers College.

To provide the opportunities for staff to innovate in teaching.

To provide the opportunities and incentive for staff to increase their earnings.

7. Issues and Problems

The successful development of a hybrid organization in this field will depend totally on the co-operation between the private and public sectors and a re-appraisal of the general mission and thrust of the College. A number of conflicts will inevitably arise. A summary of the major potential problems and conflicts follows.

A conflict between the educational and commercial objectives of the organization. The developers, in entering this arrangement, recognized that their ability to reap immediate capital gains by selling an equity share in the site is severely constrained by the educational zoning of the site. Yet it will be necessary to take in equity partners if the site is to be developed to its full potential and the risk is to be spread. A single developer, as presently exists, may not be prepared to provide the required $23 million for the proposed buildings and site works particularly as the return may be long term.

They also recognized that the profitability of the venture may be constrained by the agreement to provide virtually full facilities to the

College for teaching its accredited programmes; the provision of residential facilities to College students during the normal College semesters at subsidized rates; the control by the College over the courses to operate at the site. The College may reject programmes on educational grounds which are commercially viable in the short term. This need not result in conflict as in the long term the development will only succeed if soundly-based educational programmes are offered.

A conflict between the operation of the accredited and non accredited programmes. While these programmes can be complementary, as we may prepackage accredited programmes for short course offerings, there is a need to ensure that additional staff are appointed to offer short courses. This, in turn, will ensure that the quality of the normal programmes will not suffer. We believe that the appointment of such new staff, on a contractual basis in the first instance, will enable the College to increase the range of staff specializations. The College recognizes that it is too small to be able to offer the range of programmes needed to sustain the enrollment level. It is the intention of the College to invite other institutions of higher education and professional bodies to participate in the development.

The conflict between public sector regulation and private initiative. The College recognizes that at all times it must work within the relevant acts and financial regulations. Our agreement is subject to these acts and regulations and we welcome the protection they afford. However, as in any new initiative, further regulations will follow relating to course approvals, overseas student entry and staffing. We can only hope that such regulations are flexible in design and allow for initiative.

Other potential areas of difficulty that the College must address relate to the industrial area and we will be seeking to consult with the appropriate.unions. This development remains in its infancy. The College has a chance to develop a national reputation in the short course area. If one adds to this the potential benefits of the consortium and some interest by funding authorities to support the College, our future is promising. There is, however, no truth in the rumour that we will be making a take-over bid for the Bond University - not yet.

Reaction to Dr Treyvaud's presentation included both general discussion and specific questions about the Byron Bay Academy scheme.

The long term consequences of private-public institutional competition will be interesting; the results in schools may be indicative; competition must be ethical, and accompanied by co-operation.

Is tax exemption a public subsidy and does it apply to Byron Bay? Food, drink and accommodation receipts are taxed; the developer's advantage comes from high year-round occupancy levels.

In case of a sudden fall in private interest and income, outside providers might cease providing, while NRCAE and its staff are protected.

In spite of potential dangers from the entertainment emphasis of Byron Bay, the NRCAE has full control over educational standards, and will defend them at Byron Bay in its own, and others, interest.

Chapter Nine

PRIVATE INITIATIVES IN HIGHER EDUCATION: THE AUSTRALIAN PREDICAMENT IN COMPARATIVE PERSPECTIVE

ROGER L. GEIGER

Institution for Social and Policy Studies, Yale University

1. The Trend toward Privatization in Higher Education

One of the challenges of doing comparative studies comes from discovering the general in the particular - from discerning underlying similarities in basic social or economic processes as they are refracted through different cultural, political or institutional environments. Certainly, the longer the historical perspective one takes, the more evident underlying patterns become; and conversely, the shorter the focus, the more salient appear the particulars and idiosyncrasies of each society. In the case of Australian higher education, the current preoccupation with private initiatives in higher education in fact reflects concerns and developments existing in other advanced, industrial, non-communist nations - those nations that constitute the O.E.C.D. universe.

It seems likely that when this universe is viewed in *la longue duree*, the similarities in the developmental rhythms of O.E.C.D. countries since World War II will be more apparent than the differences. A future historian might attribute these similarities to changes in what Marx called the forces of production - relationships between capital, labour, technology, and raw materials that in the present era no longer seem to know any national frontiers. He or she might highlight as well the rapidly expanding knowledge base, largely the product of world-wide communities of scientists and scholars. Also relevant would be the ongoing revolution in communications within and between these and other nations. From this perspective, then, it is hardly surprising that these societies have developed in a similar manner over the past generation, including the courses taken by their education systems.

For higher education, the monumental development of the first part of this period was what Martin Trow has described as the transition from elite to mass higher education.[1] His basic argument was that when higher education systems passed the threshold of educating more than 15% of the rel-

evant age cohorts, quantitative increase produced qualitative changes in the nature, the structure, and the outcomes of tertiary education. Making these changes, however, proved to be a prolonged, grudging, and often traumatic process.

The actual patterns of this expansion were rather more similar in the O.E.C.D. countries than purely bookkeeping comparisons might suggest.[2] First came a spurt of extremely rapid growth in university enrolments. These additional students largely flowed into existing institutions that were in many respects ill-adapted to cope with them. Next came a period of crisis, caused in part by the difficulties and slow pace of adaptation to these new conditions, but also exacerbated by some other cultural and political issues. The crises were then followed or accompanied by a discernible phase of differentiation, in which new institutions were devised and put in place. The last phase involved implementing legislative and particularly financial arrangements that were intended to accommodate, and in a sense complete, the new systems of mass higher education. The general pattern stands out in historical perspective: the most rapid enrolment growth occurred at the initiation of this process; investments in higher education tended to increase throughout, as systems had not only to expand, but change as well; and the transformation was concluded with major financial commitments by government to underwrite the new system. In most countries this represented significant extensions of government financial responsibilities for higher education. Thus, from the late 1950s to the first half of the 1970s, an underlying trend of "nationalization" inexorably expanded government expenditures on higher education. How this was done, of course, depended upon the nature of the system in question. In some mixed public/private systems the government stepped in where it had never stepped before. Japan, where the feverish growth of the private sector was responsible for accommodating mass higher education, was led in 1971 to inaugurate substantial government subsidies of private colleges and universities in order to assure their solvency and uphold standards. The United States between 1966 and 1972 put in place a set of federal programs that subsidized lower- and middle-income students through grants, loans and work-study plans, thereby guaranteeing wide access to higher education, as well as underwriting in part the tuition revenues of private institutions. In Belgium and the Netherlands (both publicly supported, mixed public/private systems) private universities achieved full funding from the state during these years, and on rather generous terms.[3] And, of course, here in Australia, a similar kind of commitment was made by the Commonwealth in 1974, when it abolished student fees and state appropriations for higher education and became the sole supporter of the country's universities and colleges (CAEs). In countries where the national government was already the sole supporter (France, Sweden), this underlying trend of nationalization was expressed in terms of new forms of publicly supported higher education.

This nationalizing trend encompassed far more than just finance. In most countries, nevertheless, it seemed to peak in the first half of the 1970s

with the kind of major government commitments mentioned above. But not all of these commitments proved sustainable. In fact, the countries that had grown most dependent upon a single source of public support seem to have been most vulnerable to the termination of this long nationalizing trend. The government promises to Belgian universities proved overly magnanimous almost from the outset, and since the mid-seventies government and private universities have been engaged in an unseemly bureaucratic tug-of-war over the value and terms of subsidies. The retrenchment imposed upon British universities since 1981 has probably constituted the most extreme manifestation of this general limitation of government support. For Australia, 1975 constituted the apogee of a curve of an increasing percentage of the nation's resources devoted to higher education. Since then, that curve has turned down, declining by 35% over the next decade. Operating expenditures, when measured in real terms, stagnated during this period, but actually declined by 8% on a per-student basis.[4]

Systems with pluralistic bases of support have been somewhat more fortunate, but have not escaped this trend. In the United States it has taken the form of scaling back eligibility for certain forms of federal student aid, although there has also been pressure to abolish some programs entirely. Even affluent Japan is sorely troubled about the level of subsidization of private universities. Australia is scarcely alone in its plight: the macro- nationalizing trend that had dominated higher education systems for at least two decades gradually ground to a halt in the mid-1970s.

The reasons for this development are only partly evident.[5] Undoubtedly the sluggishness that plagued most national economies during these years would bear some of the blame. Austerity budgets have been the chief excuse for scaling back spending on higher education. Beyond this, it should be recognized that higher education was an issue that, after more than a decade of fiscal exertion, was largely resolved. Governments faced other problems stemming from the energy crisis, aging populations, environmental degradation, and economic dislocation. These could claim a higher priority now that the higher education system was fully elaborated. Moreover, judging from the results achieved by the mid-seventies, higher education might be regarded as a dubious vehicle for human capital investments. The returns to higher education for recent graduates during that era seemed to have shrunk, and the spectre of graduate unemployment became a public concern.

Interestingly, each of these factors now appears to be relative. National economies, we hope, can fluctuate upward as well as downward; and government spending priorities are just that - relative rankings of things that they would like to do. As for declining returns to higher education, this phenomenon reflected several quirks of recent history. First, the large absolute size of 18 to 24 year old cohorts as a result of the post-war baby booms; second, the large relative size of recent cohorts of graduates; and third, the maladaptation of higher education systems to the workplace, which was only belatedly and incompletely addressed. The relativity of these factors was implicitly recognized by almost all governments. They

did not take the position that their countries could get by with less higher education - although Britain would be an exception here, and perhaps also France. Otherwise, nations have sought to maintain, or even extend through diversification, the levels of participation in higher education that were achieved in the mid-seventies. They have simply not wanted to pay any more. Thus, we come to the challenge of the 1980s - finding non-governmental resources for higher education: in short, the present trend toward privatization.

I define privatization, then, much as Australians have in the current debate: the substitution of private resources for public ones in higher education. Viewed internationally, this phenomenon would seem to have three components: 1) growth in the relative share of privately controlled institutions (the private sector); 2) a shifting at the margin of the burden of financing higher education from state to student; and 3) the attempt to rely increasingly upon private patronage of public or private institutions, either through outright voluntary gifts or through mutually advantageous arrangements with industry. The remainder of this paper will attempt to explore each of these areas in general terms, and then relate them to the Australian context.

2. Creating a Private Sector - What Are the Alternatives?

The Australian system of universities and CAEs constitutes what I have elsewhere termed a "comprehensive public sector," intended to fulfill what the government perceives to be all of the country's higher education needs. In my book on private higher education, I have linked comprehensive public sectors with "peripheral private sectors." Assuming private higher education is permitted by law, private institutions commonly arise to fulfill those functional or cultural tasks that are neglected by the state system. These private institutions generally have to find a niche in the system in order to develop and thrive. What this means in practice is that they must have an important private reason for existing. And furthermore, this private *raison d'etre* should have an important bearing on how they derive resources.

In thinking about the Australian situation, however, it became apparent that at least two other possible complements to comprehensive state systems might be relevant. One would be the case in which a state system was sufficiently restrictive that significant excess demand for higher education was not met, opening the possibility for private institutions to serve this overflow population. This would be essentially the situation that I have analyzed in mass private sectors; i.e. where highly restrictive public sectors have forced the expansion of higher education to take place through private institutions, as happened in Japan and the Philippines.[6] Clearly, though, something similar could occur with more limited excess demand. In fact, this scenario would fit developments in Thailand rather well. There, just a few proprietary universities cater to the educational demands that are not met by either the selective national universities or the open universities. In all of these "overflow" situations, the private sector offers education of

lower quality than the state in terms of resource input, and the costs are substantially borne by the students themselves.

The other possible case would be where private institutions succeed in some sense in out-competing the state, and are thus able to "cream-off" a desirable portion of the student population. This can actually occur in two related ways. My former colleague Dan Levy has identified what he calls "public-sector failure" in a number of Latin American countries. The deterioration of conditions in state institutions caused a certain segment of students, notably those from upper-middle class backgrounds, to defect to private universities in order to find instruction that will better qualify them for private sector employment.[7] The other form of "creaming-off" is what we are familiar with at the primary and secondary levels, where those who can afford it often purchase higher quality private schooling for their offspring. The question, though, is why this does not occur more often in higher education? The answer most likely stems from the different relationships to knowledge: higher education is responsible for a dynamic and unbounded realm of knowledge, whereas for pre-tertiary education the body of knowledge to be covered is relatively finite. Not having to make a large investment in advanced knowledge, private schools can offer more teachers and more amenities to those willing to pay a higher price. This model is not entirely irrelevant to higher education, however: the persistence of the private American liberal arts college owes something to this type of consumer preference for additional quality at a greater price.

The important point is that the implications for private higher education are quite different for each of these three models.

Peripheral private institutions face a delicate task. It is often difficult to define a secure niche in a predominantly public system; and institutions that define themselves by their differentness are seldom appreciated by the mainstream from which they seek to set themselves apart. These institutions face a trade-off between seeking legitimacy and academic credibility from the dominant system and fulfilling the private purposes of external sponsors. Some resolve this tension by dispensing with formal legitimacy altogether by awarding their own diplomas (e.g. international business schools). Just the opposite course has been followed by the University of Buckingham, Britain's only private university, which opened its doors in 1976. The founders of Buckingham sought, above all, recognition as a British university, and in this they have largely succeeded. They became part of the system of external examiners, won acceptance of their professional credentials in accountancy and law, and ultimately were awarded a university charter (which may or may not have been related to their academic attainments). At the same time they wanted to justify their existence by being different as well, and this has proven more difficult. In an entirely *a priori* fashion, they defined some unmet needs in the British system; namely, two-year degrees and a plan for educating "Eurocrats". A real market demand, however, has yet to materialize for either of these products. Buckingham has thus had difficulty in establishing a substantive private reason for its existence - or a private constituency for its support.[8]

By way of contrast, private institutions that cater to overflow demand are essentially market driven. What they purvey is not so much education, as educational credentials. For this reason they are able to keep costs to a minimum, especially capital costs, and recover most of these costs, and perhaps more, from their students. Thus, there is little difference in the functioning of these institutions whether they are organized as nonprofit or for-profit corporations. However, I would argue that selling higher education is only truly profitable under temporary conditions of unusually high demand (e.g. Turkey and the Philippines in the 1960s, and Thailand today). But one could also argue that proprietary higher education has never been given the free market test. Governments invariably intervene to restrict and regulate for-profit universities, and overflow institutions generally. This type of higher education, overall, is characterized by tuition dependence, a weak capital base, market sensitivity, an absence of voluntary support, minimal academic standards, and heavy government regulation.

Whereas overflow private institutions cater to a broad spectrum of the student population, "cream-skimmers" are oriented toward a social elite. The additional resources, which form the basis for their claims to quality, are usually financed in part by high tuition. More importantly, these institutions generally need donated capital in order to provide the amenities associated with high-quality higher education. Thus, the existence of some form of private patronage becomes an important part of their profile. Although some deficiency in the state system would seem to be the precondition for these kinds of private institutions to take root, they do not compete directly with the entire state system. In fact, all three of the types just described compete obliquely with their comprehensive state rivals.

In considering the likely consequences of private alternatives in Australia, two conditions at first sight seem highly unusual: 1) the excess demand that new private institutions aim to fulfill largely comes from offshore students from Pacific Rim countries; and 2) what Don Smart has called the real estate factor: "all these proposals are premised on subsidizing or at best 'breaking even' on the education side, whilst making a profit out of the value-added property development associated with, and adjacent to, the new tertiary institution."[9] Upon reflection, however, neither of these factors would appear to be unique. In fact, the University of Buckingham has largely survived by attracting foreign students. It now enrolls more British students than ever before (although less than a majority, but during the difficult initial years the College supported itself through the fees of, mostly, Malaysians and Nigerians. There are also some less savory examples, like the medical schools in Latin America that cater to would-be doctors unable to gain admittance to a U.S. university. Nevertheless, the existence of a guaranteed clientele should allow an Australian private university to develop more quickly and more completely than would otherwise be the case.

As for real estate development, in my book I treated a similar phenomenon under the more polite term of 'civic boosterism'. The growth of American higher education is replete with examples of this - local boosters,

having pecuniary interests of one sort or another, who sought to establish a college in their town to gain an edge in economic development. The Southern California businessmen who invested in the development of Caltech in the 1920s were motivated in part by the lure of economic development.[10] On the whole, then, the real estate factor could be one of the most positive aspects of the proposals under consideration. Diploma mills do not spawn research parks; nor are they likely to sell condominiums. The greater the stake that founders have to invest in a university's development, the better for its prospects. If private Australian universities are to transcend the rather unattractive prospect of being mere "overflow" institutions, they will require a massive investment indeed.

3. Student Charges - Why? How? How Much?

Last Autumn the French government attempted to introduce differential student fees as part of a general university reform package. This initiative was defeated utterly. In Australia, by way of contrast, an even steeper fee was imposed in spite of student protests. In neither case, however, were the arguments raised in support or opposition to fees very instructive. On the issue of whether or not to charge student fees, or how much they ought to be, there is remarkably little theory or analysis on which to base an opinion.

Arguments grounded upon supposed differences between the social and individual rates of return to higher education are likely to strike the non-economist as arcane. More plausible, then, would appear to be the judgement of Mark Blaug and Maureen Woodhall that, "it is vain to pretend that we can appeal to any general principles that would specify an optimum level of subsidy to higher education."[11]

When theory is lacking, one can always try empiricism. Unfortunately, in this case one will get much the same result. Northern European countries all provide near-total state funding for institutions of higher education, but they differ markedly in the way in which they subsidize students for the indirect costs of attendance. The important variables here are the level of subsidization, the use of grants or loans (or other benefits), tax relief, criteria of eligibility, and the interest rates and repayment provisions on loans. While these countries differ in the way they put these pieces together, and in the resulting levels of subsidization, it does not seem possible to identify significant social consequences arising from these different schemes.[12]

The other place one might look is the United States, where fifty individual states conduct independent policies concerning the levels of subsidization and student charges. Here it is student aid, most of which comes from the federal government, which is largely constant. The amount of tuition that is charged varies considerably from state to state. If one assumes for comparative purposes that tuition revenue, plus the state appropriation, equals the approximate cost of a university education, then the percentage of this sum covered by student charges alone varies from a low of around 15% to a high near 40%. The average for the entire country was 23%; and

the best explanation for variance seems to be region of the country.[13] At various times suggestions have been made that tuition be set at a predetermined percentage of institutional expenditures - usually between one-third and one-half of instructional costs (however, determining the cost basis of actual instruction is a very complex issue).[14] But, once again, there is little basis for setting such a figure or evaluating the results. It would be exceedingly difficult to demonstrate differential social consequences stemming from these different rates of student charges; or furthermore, to show differences in social access between these fee-charging American state universities and the feeless, or nearly feeless, European systems.

The reason this is the case stems from the fact that direct costs are a comparatively minor factor in determining whether students decide to attend or not attend higher education. Parental income and education, intellectual ability, and individual motivation are generally recognized to be the paramount factors. Nevertheless, it would contravene economic logic if demand were unrelated to prices. Given the predominance of those other factors, however, overall demand for higher education is rather inelastic. When broken apart by income and ability, though, the highest elasticity of demand (or greatest price sensitivity) turns out quite naturally to belong to the low-income/low-ability segment of the student population.[15] Those who oppose fees in the name of social equity thus seem to be allowing finance policy to be determined by the goal of achieving the point of maximum enrolment on the low-income demand curve (i.e. direct costs = 0). Yet, there are several reasons for regarding that approach as short-sighted.

First, under conditions existing in Australian higher education today, the lack of alternative funding sources is tantamount to a limitation in the number of places available. The failure to enlarge intake can only result in greater competition for access. And who would suffer from this effect? On the whole it would tend to penalize those same low-income students most likely to be discouraged by fees.[16] In this case it would be their inability to pursue costly educational strategies, such as private secondary schooling, that would lower their chances of admittance. The relative penalty to low-income students of either course would depend upon the circumstances (magnitude of fees vs. degree of competition), but neither course would be desirable, nor is either necessary.

In most advanced industrial countries assuring equitable access to higher education is a matter of firm public policy. It is largely implemented through those systems of student financial aid already alluded to, which in effect negate the effects of the elastic demand curve for lower-income students. Student aid in itself, of course, cannot erase the educational effects of different social backgrounds; but then neither can the absence of fees. When student aid is combined with the practice of charging fees, however, as it is in the United States, the results can significantly abet the privatization of higher education funding. Since 1972 federal student aid in the United States has allowed private institutions to consistently raise their prices without any apparent loss of demand: the most price sensitive students have been subsidized, and the remainder of their clientele have been

remarkably oblivious to increments of cost.[17] Private colleges and universities have thus increased their resources through subsidized and unsubsidized tuitions.

The principal advantage of fees in the Australian system would be that they would transform a unitary funded system into a pluralistic one. A pluralistic system ought to be able to mobilize additional resources for higher education. If it could not, then the argument in favour of fees would be considerably weaker. In addition, it seems plausible that if institutions had a financial stake in attracting students, they might increase their sensitivity to student demand.[18]

If fees are accepted in principle, however, it becomes difficult to establish how high they ought to be set. Blaug and Woodhall suggest extending them to cover 30% to 50% of costs for reasons of "institutional autonomy and internal efficiency." But they offer no explanation for this assertion, even though autonomy and efficiency are obviously contingent upon numerous other factors.[19]

Then, of course, there is the libertarian school of thought, that would impose the full costs of education upon students, mitigated perhaps by a voucher scheme. This would represent the triumph of economic logic over common sense. Such an arrangement would make higher education essentially tuition dependent. Instead of merely being market sensitive, it would become market driven. While there are certain advantages to having some institutions in a system market driven, as some are in the American private sector, this would hardly seem desirable for the system as a whole. Finally, there is no reason to think that such an arrangement would result in an increase in the total amount of resources devoted to higher education. In fact, quite the opposite seems likely. Any scheme that transferred a substantial portion of the costs of higher education to students would undoubtedly result in the state reducing its financial commitments, and any substantial cutbacks of government support during the current era of tight budgets would have quite negative implications for the future development of higher education.

4. Patronage - Another Source of Funds for Higher Education?

One of the consequences of the long persistence of the nationalizing trend in higher education has been that universities in many parts of the world have ceased to be the customary object of alms. Universities clearly gained far more than they lost through this development. Yet, there was a price to pay. As the trend toward privatization has developed, it has become increasingly apparent that there is a fundamental need to tap other sources of private funds besides just student fees. The development of higher education in this new environment, as opposed to its mere subsistence, would seem to require a significant contribution from voluntary support or patronage.

By voluntary support I mean simply altruistic gift-giving; by patronage I imply some vested interest on the part of the donor. Since there is an el-

ement of self-interest in much giving to higher education, the difference is one of degree. Clearly, co-operative arrangements between universities and industry would constitute patronage, unless they were merely fee-for-service contracts that held no residual benefits for the institution.

University-industry co-operative research relationships are currently the object of perfervid sponsorship in most O.E.C.D. countries. They are exceedingly difficult to evaluate from the outside in any one country, or in any one industry. Arguments can be mustered both for and against these relationships. Situations in which the power of third-party planners eclipses the decision- making of those who conduct and/or consume the research are unlikely to be productive; nor is it healthy to expect sponsored research to supplant basic academic investigations.[20] On the other hand, the acceleration of university-industry research co-operation reflects real changes in the scientific bases of many industries. Biotechnology, microelectronics, artificial intelligence and materials science - all involve scientific problems that are at once of potential value to industry and scientifically challenging to university scientists. The expanding scope of university-industry relationships, then, not only constitutes a potential additional source of funding, but also signifies a closer integration between universities and social demands for useful knowledge.[21]

In the United States this trend has accelerated in this decade, and by now has made an appreciable impact upon university research. The federal government, which twenty years ago funded more than three-quarters of university research, now is supporting less than two-thirds. Industry-sponsored research has meanwhile become the fastest growing component in the system. Specific programs and organizations have been created to encourage this process - by universities on their own, by state governments, and by the National Science Foundation. Nevertheless, the key to these relationships is probably the individual organized research units that have become the characteristic performers of sponsored research in American universities. They tend to provide the flexibility to mediate between the knowledge needs of external patrons and the research capabilities of scientists.[22]

University-industry co-operation has come in for a good deal of criticism in the United States, and elsewhere. Without going into specifics, it often seems to be the case that the critics are looking in the wrong places. They invariably wring their hands over the multi-million dollar contracts signed between major corporations and universities. Yet, these seem to be marriages between fully informed partners. Large, science-based corporations do most of their research in-house, especially when patents and trade-secrets are likely to be involved. They have a very good sense of whether to pursue a subject in their own laboratories, to sub-contract to other firms, to hire consultants, or to engage university researchers. Two-thirds of all industrial sponsored research is classified as basic research, which implies that other alternatives are employed for applied and developmental work. Abuses of the sometimes fragile mores of the academy are more likely to come from within their own ranks - from professors turned entrepreneurs

and from the establishment of research relationships in fields like management or education, where tacit guidelines are less well established.

As important as patronage has become, it is far overshadowed by voluntary support for American higher education. While industrial-sponsored university research surpassed $500 million in 1985, voluntary giving to all American colleges and universities was about ten times that figure.[23] Voluntary support has been the indispensable underpining of all the major American private research universities, and it has materially assisted the development of the most eminent public universities, like Berkeley and Michigan. In recent years public universities have greatly increased their appeals for gifts, and in 1985 they claimed one-third of total gifts to higher education. I am sure that if a country could imitate any feature of American higher education, it would choose this cornucopia of private gifts. But alas, probably no feature would be more difficult to transplant.

Still, it is interesting to consider just why publicly supported institutions in the United States are able to appeal so successfully for private gifts. Perhaps the first answer would be that they work very hard at it: fund-raising in American universities is a highly organized and systematized undertaking. But all this organization is designed to appeal more effectively to existing philanthropic possibilities. These take four principal forms:

the cultivation of alumni loyalties;
regional identification and service;
the existence of philanthropic foundations; and,
the inscrutable behaviour of the truly wealthy.

Why do American graduates retain an emotional identification with their colleges and universities? In part this is deliberately cultivated by alumni organizations; however, this is done much more intensively in private schools. For public institutions one has to accord a large role to intercollegiate athletics. Sports are what bring alma mater to the graduate's immediate attention, and future interaction with the university is most likely to occur on the occasion of athletic contests. Sports are also important for cementing regional loyalties. But in this case it seems more likely that useful service is the key element in eliciting support from local patrons and businesses. The existence of charitable and corporate foundations makes the task of fund-raising somewhat easier. Their purpose is to give money away, and year in and year out they devote between 25% and 30% of their expenditures to higher education. The large, general-purpose foundations tend to encourage innovative behaviour by institutions, while corporate foundations tend to be more traditional; but both often contribute to major fund-raising efforts.

If there are any lessons to be drawn from these odd arrangements they would be the following. Fund-raising for American universities is an important aspect of their external relations: it is conducted out of the president's office and it occupies a significant part of the president's time. The influence of donors, then, occurs right at the top. The fund-raising process as a whole thus provides a conduit for inputs from different external groups

to the university. In some cases these inputs encourage the frivolous - which makes big-time athletics so difficult a problem. But on the whole voluntary support not only increases the resources of American public universities, but also enhances their responsiveness to important constituencies.

5. Concluding Thoughts

In concluding my book on private sectors in higher education, I wrote to the effect that private higher education should not be viewed as an end in itself or as a single institutional type. Rather, it is a flexible vehicle that possesses the potential to bring several benefits to higher education systems. Namely, it can expand the resource base upon which higher education draws; and, by making institutions financially responsive to a variety of constituencies, it can increase the overall adaptability of higher education. Government treatment of private sectors should accordingly look beyond organizational stereotypes or vested interests in order "to devise policies that will preserve and enhance the demonstrated benefits that privately controlled higher education can bring to a system of higher education, and to the society it serves."[24] These considerations would apply equally to the other aspects of privatization discussed above. To explain why requires returning to the Olympian historical perspective with which this essay began.

In brief, it has now become increasingly apparent that the 1980s will constitute the most revolutionary period for scientific and technological advancement since the 1940s. Think back to the technologies that were first crudely harnessed in the 1940s: atomic energy, microwave radiation, jet and rocket propulsion, old-fashioned main-frame computers, television, and in medicine such things as penicillin and blood-plasma; the refinement and extension of these technologies have provided the impetus, for good or ill, for much of the material advancement of our civilization in the decades since. Now consider the seminal contributions of the 1980s to date: genetic engineering, superconductivity - merely the latest achievement of materials science; the harnessing of light in lasers and fiber-optics; and above all the potential application of computers to all facets of life or work. These technologies have long futures in front of them. They are likely to be the beginnings of broad streams of development that will transform our lives into the next century.

In the O.E.C.D. universe, where research and training are centred upon the universities, the implications for higher education are no less momentous. 1) It will obviously be necessary to expand the research resources of higher education in order to keep abreast of these developments. 2) A more highly automated and more productive workforce will also have to be a more highly educated one. Educating future employees to keep up with technological change will ultimately prove more economical than dealing with those who do not. 3) These developments are likely to occur more readily where there exists a working relationship between universities and other segments of society than they are where universities are centrally

funded and centrally directed. Adaptability and responsiveness are likely to be crucially important.

Seen in this light, higher education is not a matter of individual consumption; it is a fundamental form of social overhead, in which all developed nations must continue to invest if they are to keep abreast of scientific and technological change, and to avoid the obsolescence of their workforce in the worldwide division of labour. It is the price of maintaining a place in the O.E.C.D. universe.

In this context, however, the potential justification for privatization also becomes evident. First, the mobilization of private resources may be able to supply the marginal increases needed for an increased social investment in higher education. This implies that the state will maintain its contribution at least constant. Better still would be the employment of additional state resources or "savings" in ways to encourage adaptation to these trends. Merely shifting the burden of financing higher education from one group to another, on the other hand, will almost certainly produce underinvestment. Second, a pluralistic financial base for higher education would be likely to increase the overall responsiveness of higher education. Adaptability can to some extent be induced through planning agencies, representative boards, or advisory panels; but it seems to occur spontaneously and rapidly where financial interests are directly at stake.

Specific private initiatives, then, ought to be assessed on their likelihood of contributing to this general direction of development. It is by no means assured that private universities, student fees, or induced co-operation between industry and universities in Australia would necessarily achieve such ends. That would depend upon design and implementation. But on the other hand, there seems to be no reason to believe that current constraints will be overcome anytime soon. The leaders of Australian higher education thus face a challenge more daunting than that of a comparative historian: they must fashion a particular institutional environment that will comprehend and exploit the general social and scientific forces that will shape Australia in the third century of its existence.

Notes

1. Martin Trow, "Problems in the Transition from Elite to Mass Higher Education," in *Policies for Higher Education*, (Paris: OECD, 1974), 51-104: idem. "Reflections on the Transition from Mass to Universal Higher Education." *Daedalus* 99 (1970): 1-42.
2. Ignace Hecquet, Christiane Verniers & Ladislav Cerych, *Recent Student Flows in Higher Education* (Paris: OECD, 1976). Bookeeping problems for official participation rates are complicated by such matters as whether or not teacher education is included in university higher education.
3. Roger L. Geiger, *Private Sectors in Higher Education: Structure, Function and Change in Eight Countries* (Ann Arbor: University of Michigan Press, 1986).
4. Commonwealth Tertiary Education Commission. *Review of Efficiency and Effectiveness in Higher Education* (Canberra: AGPS, 1986).

5. For developments in Australia see D.S. Anderson & E. Eaton. "Australian Higher Education Research and Society: Part II: Equality of Opportunity and Accountability, 1966-1982," *Higher Education Research and Development*, 1 (1982): 89-128.
6. Geiger, *Private Sectors*. 13-74; Daniel Levy, *Higher Education and the State in Latin America* (Chicago: University of Chicago Press, 1986), 171-218.
7. Levy, Higher Education and the State, 114-70.
8. Geiger, *Private Sectors*, 141-57; Joyce Pemberton & John Pemberton. *University College at Buckingham: A First Account of its Foundation and Early Years* (Buckingham: Buckingham Press, 1979); Max Beloff, "Starting a Private College: A British Experiment in Higher Education," *American Scholar* (1979): 39- 403.
9. Don Smart, "The Financial Crisis in Australian Higher Education and the Inexorable Push toward Privatization," *The Australian Universities' Review* 29,2 (1986): 16-21.
10. Roger L. Geiger, *To Advance Knowledge: The Growth of American Research Universities, 1900-1940* (New York: Oxford University Press, 1986), 183-87; Geiger, *Private Sectors*, 135, 185.
11. Mark Blaug & Maureen Woodhall, "Patterns of Subsidies to Higher Education in Europe," *Higher Education* 7 (1978): 331 - 361. The Blaug & Woodhall study has been updated and expanded by D. Bruce Johnstone, *Sharing the Costs of Higher Education: Student Financial Assistance in the United Kingdom, the Federal Republic of Germany, France, Sweden, and the United States* (New York: College Entrance Examination Board, 1986). Johnstone reaches the same conclusion: "the human capital concepts of public and private returns to public and private investments in higher education seem to be of little interest to policymakers anywhere and to be of declining interest to researchers and policy analysts" (p. 157).
12. Blaug & Woodhall, "Patterns of Subsidies," 356. Johnstone argues that the level and form of subsidization is more of a resultant than a determinant of socioeconomic conditions, since subsidization seems to be influenced by cultural factors, age differentials, prevailing degree of equality/inequality, student power and financial health. The apposite issue thus becomes, "not one or another particular apportioning of [higher education] costs at a point in time, but rather the probable consequences of proposed changes or shifts in one or another share". Johnstone, *Sharing the Costs*, 158-60.
13. Calculated from National Center for Education Statistics, *Financial Statistics of Institutions of Higher Education*, 1979 (Washington, D.C.: H.E.W., 1981).
14. Dennis Viehland, Norman Kaufman, and Barbara Krauth, "Indexing Tuition to Cost of Education: Implications for State Policy" in Larry L. Leslie & James Hyatt, eds. *Higher Education Financing Policies: States, Institutions and their Interaction* (Tucson: University of Arizona, Centre for the Study of Higher Education, 1981), 23-33.
15. Leonard S. Miller, "Demand for Higher Education in the United States: A Second Progress Report" in Joseph T. Froomkin, *et al, Education as an Industry* (Cambridge, Mass.: Ballinger, 1976), 309.
16. Cf. the results on differential access to higher education in Trevor Williams' 10-year study for the Australian Research Council.
17. Geiger, *Private Sectors*.
18. What institutional sensitivity to student demand might mean in practice is far from evident. It has been argued, for example, that the more desirable Australian universities (older, urban) would drive newer, more rural institutions to the wall; or conversely. that the newer institutions would have the greatest incentive to adapt to student demand, and thus would better their competitive position.

19. Blaug & Woodhall, "Patterns of Subsidies," 356.
20. Roger L. Geiger, "The Home of Scientists: A Perspective on University Research" in Bjorn Wittrock & Aant Elzinga, eds., *The University Research System: The Public Policies of the Home of Scientists* (Stockholm: Almqvist & Wiksell, 1985), 53-74.
21. Roger L. Geiger, "Milking the Sacred Cow: Research and the Quest for Useful Knowledge in the American University, 1920- 1986," Working Paper No. 118, Yale University Program on Non- Profit Organizations (Oct. 1986).
22. Roger L. Geiger, "Organized Research and American Universities: Emergence, Evolution, Significance," Conference Paper, Swedish National Board of Universities and Colleges: Creativity. Legitimation & Systems Transformation (June, 1987).
23. Council for Financial Aid to Education, *Voluntary Support of Education, 1985-86* (New York: CFAE, 1987).
24. Geiger, *Private Sectors*, 256.

Participants were obviously interested in how it is done and what are the risks elsewhere, and whether either the techniques or the risks are applicable to Australia.

The variety of possible funding sources is interesting; charitable contributions are based on many motives, not just obvious potential returns or tax relief; Australian institutions are only now beginning systematically to seek systematic charitable support. Contracts may represent complex forms of patronage as well as simple fee-for-service relationships.

Excellent education is seldom profitable in a commercial sense, though particularly valuable credentials can be sold at a profit, and mediocre education at marginal cost. Can educational quality and the value of credentials be separated?

Outside employment of academics, and part time staff, are common abroad, but the salary structure in the Australian system makes this more difficult, as public and private salary structures and assumptions are so different; there was considerable discussion of Australian attempts to adjust time and salary limits for "outside" activities, and of the common American practice of academics "buying back" their time with outside funds.

CHAPTER TEN

CONCLUDING SUMMARY: EMERGING THEMES IN THE DISCUSSION OF PRIVATE INITIATIVES IN HIGHER EDUCATION IN AUSTRALIA

DAVID BESWICK

Director and Professor, Centre for the Study of Higher Education, University of Melbourne

The range of topics which might be addressed in reference to 'private initiatives' is nicely illustrated by the matrix taxonomy (see page 2) introduced by Peter Karmel. He began with a very useful classification matrix defining a taxonomy of institutions by two factors: firstly, by their type of constitution (as to whether they were a government department, a statutory authority, a non-profit corporation or a proprietary company); and secondly by the methods of funding (whether the institutions were funded by way of government grants, private contracts and donations, fees whether nominal or full cost, and income from endowments.) These two factors, the 'constitution columns' and the 'funding rows', could be considered together to give a matrix or two way taxonomy in which all four categories of institutions might have some sources of income in any or all of the four different kinds of funding. As our various speakers have shown, it was possible to talk of private initiatives in various ways within this matrix.

In Australia we have in the past been concerned mainly with methods of funding in the two rows of Karmel's matrix concerned with private contracts and fees, but one might consider private initiatives also in reference to the two columns of the matrix concerning the constitution of new institutions, and the row representing endowments. Karmel chose to concentrate his attention on fees and principally on fees that might be charged by public institutions constituted as statutory authorities. Don Watts, in different presentations, discussed the non-profit column and the private contracts and fees rows, while Rod Treyvaud and Roger Scott concentrated on the contracts cell of the statutory authority column with some reference to the neighbouring fees cell. Roger Geiger covered all these rows and columns and in addition the endowments row, and I think he would have grouped donations with endowments rather than with private contracts. No one dealt with the private income of institutions which are constituted as government departments. At first sight it might appear a contradiction in

terms but it may be relevant to Technical and Further Education in some states. We are dealing with a broad and complex field. It would be deceptive to imagine too many common themes in papers covering such a range, and yet some did appear.

Values, Ideologies and Fees

One set of themes was related to the purposes for which private initiatives are taken and to the values and ideologies which shape those purposes. Karmel, for example, made a distinction between two kinds of fees or two different purposes for fees: one being where the purpose was either to substitute for other sources of income or to add to the income of institutions in order to increase services; the other was a means of promoting efficiency and effectiveness of institutions. There are practical consequences as noted in the paper: in the first, fees could be at any level, and reference was made to the level at approximately 15% of real cost that was in operation in Australia up to 1973 and which corresponds approximately to the lower bound of fees currently being charged in public institutions in the United States (see Geiger); where the argument is concerned with the efficiency and effectiveness of the institution it tends to be made much more in terms of the full cost. These practical consequences make clearer the ideological bases of the two kinds of purpose: in one case maintenance and expansion of education is the primary goal, in the other efficiency in the use of resources is paramount.

Don Watts referred to the philosophical bases of policy assumptions that are often not examined. He claimed that many people would defend a public monopoly even in poverty. (Which I suppose is the complement of Karmel's challenging the assumption of the free market advocates.) He also asked whether the central purpose of higher education policy was development of the person or development of the system. In commenting on the advocacy of fees combined with loans, Watts argued that while the loan component identifies a private benefit the argument does not give sufficient recognition to the public interest. He drew a parallel with the public value of independent schools which justified some public funding. He claimed on the other hand that there is also a lack of appreciation of the value of higher education in general because the public system does not require a private investment. He preferred a careful introduction of scholarships and fees with adjustments being made to the mixture of charges and assistance to balance the private and public interest factors in such a way as to maintain a generally acceptable social equity. In regard to loans reference ought to be made to the American and Swedish experience, particularly to annual government outlays compared to repayments after some years of the scheme, and the research at Gothenberg University showing negative effects on equity and participation. Susan Ryan made a similar point in the discussion of her paper.

The big question in the recent debate concerning fees is the extent to which the assumptions of a market are reasonable assumptions. These assumptions, as listed by Karmel, are ideologically inspired, and have

embedded in them the further assumption that the main beneficiary of education is the individual. Overlaid on these assumptions about private benefit and conditions of the market place Karmel saw another ideological assumption. That is, the simple faith that any government intervention is distorting. Peter Shack proceeded from at least a limited form of that assumption to argue for the lessening of government influence, and Don Watts made a virtue of the values of the market place. In its purest form a doctrine like that of the free market leads to theory driven policies that would have political consequences such as the closure of regional institutions or failure of a loans scheme that would be unacceptable to any major political party. The Liberal Party's proposals, in so far as they were spelled out in sufficient detail to see how they would work, were not seen as having such disturbing effects. The rhetoric conformed to ideology, but the policy was more pragmatic.

Peter Shack picked up a set of 'Four Es' that Hedley Beare had put forward: efficiency, effectiveness, equity and excellence. He would like to add a fifth E, 'Escape'. That is escape from government control and its capacity to pay. The Liberal Party private sector ideology is not so much profit making as individualistic. It emphasizes self reliance whether for profit or not. Scholars are self-reliant individuals in many respects but university work has always been to some extent a communal activity with a collegial structure and a service orientation which as Roger Scott made clear could well be incompatible with individualism when self reliance is transformed into self seeking. The problems are not recognized in Shack's exposition. He would 'replace a top down with a bottom up' decision making procedure in the presumed relationship of institutions to government authorities, but did not see that within the institution one can expect that to be reversed as the old collegial values are submerged and replaced by centralized management.

Shack saw increased participation as part of the aim of his scheme, so he is with Karmel on the purpose of private inputs. He said his position was not 'Thatcherite' in that he would see public funding as a floor, not as a ceiling. The particular mechanism he proposed is puzzling. If 80 percent of the funds for 'free places' goes to institutions, and 20% to students who may take it where ever they can gain admission, there is little incentive for an institution to take more students than the number for which it receives the direct funding as the marginal cost will exceed the 20% each extra student would bring. The policy is symbolically consonant at this point with ideology but unlikely to achieve its objective of increased participation. Indeed the opposite is likely, depending upon the consequences to an institution of accepting fewer than the target number of students. He did see some growth from institutions seeking extra fee paying private students, subject to their filling the government funded places. I can not see how that kind of division between free and costly places would be maintained, but presumably before the next election the Liberal Party will sort out their priorities and establish a more practical method of achieving them.

Business analogies may be inappropriate to the growth of universities. It might be expected, for example, that in some large metropolitan centres like Melbourne, the oldest institutions would be able to expand under a voucher type of system to an extent that would bankrupt others, but Karmel claimed that experience elsewhere is that high ranking institutions don't expand. They use their prominence to promote excellence or quality rather than to increase in numbers. In that sense the market model fails, and I think it is true of prestigious private institutions but need not be true of the major public universities. If we were to take public institutions of comparable status to the major private colleges in the US, institutions like the University of California at Berkeley or the University of Michigan at Ann Arbor or Pennsylvania State University would illustrate a different principle in having their power to attract students combined with a public obligation which has resulted in a considerable expansion of the major centres. In neither case, whether prestigious private institutions or major public universities, do the values of private enterprise business fit well with the basis of rational choices made by the managers of these institutions.

Karmel's conclusion was that there was value in having a moderate level of tuition fees perhaps of the order of 15% to 20% of full cost. Where the purpose was to expand the system the additional income would need to be plowed back into the creation of new places if this method of fund raising were to be beneficial in his terms. In other words the managers of institutions would have to share the values and accept the purposes of the system managers and of the broader community and political system by aiming for expansion. Although he did not make his reasons explicit it would appear that Karmel did not see a private initiative through tuition fees having an influence on efficiency and effectiveness of the institution presumably because that purpose was not shared by the key decision makers. It was much more an expression of the values peculiar to a section of the business community. Internal reviews and the like were seen by Karmel as much more likely to yield improvements in quality. Investment in staff development, some changes to increase flexibility of staffing procedures and structures, and a general reduction in the amount of direction from central authorities were the kind of structural and management changes that were believed to be more likely to be productive and more likely to be compatible with the preferred role of government and the character of our present institutions. Greater compatibility is an expression of shared values and purposes.

The effects on the operation of a public system of the influence of values which are not widely shared came into question in the discussion of Karmel's paper. Could any system which diverts the interests of the managers of institutions too much towards a risky market situation, such as could happen when chasing the benefit of having overseas students on high fees, introduce distortions which would require some intervention to maintain quality or participation criteria? Co-ordination by a public authority becomes necessary and 'the market does not stay too free for too long'.

That too is partly theoretical and partly an assertion of the potency of the values supporting a public system.

The level of fees ranges from 15% to near 40% in state institutions in the US and the average for the entire country is 23%, that is, when the proportion is calculated as a percentage of the total of fee income plus state appropriation. In regard to the impact of a low or no fee policy Geiger claims that under the present Australian conditions the increased competition associated with high demand for a limited number of public places would disadvantage low income students, depending upon the balance of the magnitude of fees to the degree of competition. Equitable access tends in most countries to be a function more of student financial aid to cover indirect costs than it is a function of the direct cost represented by tuition fees. Geiger claimed that when an effective student aid scheme is combined with the charging of tuition fees, privatization of higher education funding will increase and that those students who are not subsidized will not be very sensitive to price increases. One should assume that only a relatively low level of fees would seem to be likely to be substantiable in Australia because the sensitivity of demand to price increases has not been tested and the traditions have not been established to sustain practices which may in other places depend upon different values. Otherwise we might move quickly from a 'market sensitive' to a 'market driven' system, to use Geiger's terms, unless the 'private reasons' for the development of private institutions are strong. For the same reasons fee charging in the public sector would have to be fairly limited.

Any proposal to introduce greater flexibility through a diversified funding base which increases private costs must overcome the great difficulty of identifying needs for student aid in a means tested system. Currently AUSTUDY (previously TEAS) is a fairly well targeted scheme, but it is far from perfect. From our research on factors in participation and student financial assistance (Beswick, 1985, 1987 and Beswick, Hayden, and Schofield, 1983), I would expect that if it became necessary to compensate for greatly increased costs, major problems would arise from the reluctance of the average income family to bear those costs. Many students who now lack support from their parents would probably still not receive assistance, while those from other families who are able to structure their financial affairs to avoid a significant amount of income tax would receive unfair advantages. These things are tolerable when only minorities are involved but they become politically dangerous if they involve greater proportions of the population. Such a danger point in the extent of coverage would limit the possibility of introducing a tuition fee system with just compensation. However, the judicious use of loans, perhaps in later stages of courses leading to a fairly secure expectation of higher incomes, might help to move in this direction.

In the discussion of the Ryan and Shack papers, Susan Ryan suggested the possibility of a graduate tax or something like that as a means of funding additional places. Some such form of support from graduates whether voluntary or not is probably one of the most important alternative sources

of funding if we look for something other than increased government outlays and fees are kept to a low level. After all, the alumni support that is so strong in the American system is a kind of voluntary tax. In referring to the graduate tax idea Susan Ryan said that it had not been discussed with the ALP caucus Education Committee but they had looked at the taxation system for a similar purpose two years ago. She thought the situation might be different now that the top marginal tax rate had changed. She believed that there was a very high resistance to individuals paying fees for places.

In retrospect it seems fairly clear that the themes of the conference were coloured by ideological commitments related to national politics in an election year. Some of this was clearly recognized, but the amount of emphasis placed upon private funding of student places by full cost or a high level of tuition fees was probably out of proportion to its practical importance. There will not be large numbers of private fee paying students in that sense in the system. Any private component is likely to remain small whether it be supported by fees for additional places in public institutions or in the size of a private sector. As argued below, there is probably room for small private sector of some kind and it is unlikely that a government monopoly will be maintained. In addition to the argument from what has happened with private schools and the lack of public funds for expansion, the principles enunciated by Roger Geiger would indicate room for only a small private sector. This conclusion is strengthened by the evident persistence of the values supporting the public system in the community at large.

Room for a Private Sector

It is not enough to recognize the importance of values and to discern the values relevant to particular purposes. There are empirical questions too concerning who holds the relevant values and the circumstances affecting attainment of valued goals. Would there, under certain conditions, be an expansion of numbers in a private sector of tertiary education as has occurred in secondary education with government support? Karmel seemed to think there was little likelihood of growth in a private tertiary sector in Australia because there was not a strong tradition of separate private institutions at the tertiary level, as there has been with the Catholic primary and secondary schools. Indeed, there may be contrary values expressed in the attitudes of those parents of independent school students who will support their children in secondary education but then say to them 'now you are own your own' when it comes to financing their higher education. That is the opposite of the situation in the United States. The common practice in the US maybe based on a different culture, but attitudes are related to circumstances and are less stable than values which might support different preferences in different situations. A case can be made for expecting some development of a private higher education sector in Australia because of changed circumstances.

The reasons people have for investing in private secondary education for their children are complex and differ greatly between families. Reinforcement of social and religious identities is one relevant purpose; increasing the chances of admission to higher education or to the more prestigious institutions and professional courses is another. In the circumstances that are now developing, direct purchase of social status through secondary education is less viable when the old school tie can no longer compete with a professional diploma.

If people merely seek to gain advantages in the competition for admission to public tertiary institutions as the benefit of investment in private secondary education I can see the situation changing radically. The change could be brought about by the political unacceptability of such an advantage being purchased and by a realistic evaluation of its private cost. It is already possible to pressure tertiary institutions directly to redress a social imbalance even if there are limits to how much they can compensate for any disadvantage students from government secondary schools might have. The real advantage gained from private secondary education for this narrow purpose is not great. From research at Melbourne and Monash universities on the predictive value of selection indices (Dunn, 1982; West, 1985), I should think it is costing between one and two thousand dollars for each extra point gained on the average on a four hundred point scale in the Victorian system. Such advantages depend upon the restriction of places at the higher education level so that any advantage to be gained is a queue jumping advantage. If, on the other hand, the number of places is expanded in higher education and if that expansion is driven by the input of private funding in response to public demand, and if at the same time there are small but noticeable improvements in public senior secondary education, the rational choice for parents aiming to increase their children's chances of entering a profession will probably shift from secondary to tertiary education as the major point of private investment. There are many contingencies in reaching that conclusion, but the point is that it becomes reasonable with the same values in slightly changed circumstances.

It is useful to ask however how much opening there is given the principles Geiger derived from international comparative studies. He referred to three conditions. First, a niche for private institutions developed when public institutions failed to fulfil some functional or cultural tasks. Private institutions fitting such a niche would have private reasons for existing. They would tend to value those neglected functions or cultural tasks more than they are valued in the main stream. Whether such niches exist in the Australian scene is an interesting question to which we shall return. Secondly, he referred to excess of demand which may arise from deliberate limitation of growth in the public sector. In Australia we do not have such severe limits as led to a large private sector in Japan but perhaps something like the more limited form that has occurred in Thailand. A third condition might arise where there is a public sector failure, as happened in a number of Latin American countries. Dissatisfaction with the public sector allows private institutions to cream off a desirable portion of the student popula-

tion. That is similar to what is still happening in Australian secondary education.

Peripheral institutions which develop to fill specific niches have difficulty according to Geiger in reconciling their needs both to be different and to be acceptable to the mainstream institutions. They can be contrasted with overflow institutions which develop to meet a general excess in demand when the public sector is limited, but Geiger believes that selling higher education is only truly profitable under temporary conditions of unusually high demand. Lasting contributions then would be likely to be made by substantial non-profit organizations rather than very specialized proprietary companies. In any case proprietary institutions tend to be regulated by governments rather than being given a fair test in the free market. They usually lack a capital base and the kind of voluntary support characteristic of non-profit institutions with longer term viability, and their academic standards are minimal. The cream skimmers on the other hand must have a degree of private patronage for higher quality education.

Geiger thought that the conditions he discerned for private institutions from comparative studies were relatively weak in Australia, but he suggested that finance for meeting some of the excess demand that new private institutions might aim for will come from off-shore students from Pacific countries and what Don Smart called the real estate factor. These are special advantages that might enable a new institution to survive for a time, but they do not address directly the principles that Geiger set forth. These sources could help to provide some of the capital base which would allow a better quality of education to develop.

Senator Susan Ryan argued that there was no need to establish private universities, that all they could do could be done now by public institutions. She saw 'private' as suggesting profit making, whereas 'public' suggests responsiveness to the public and accountability to state legislatures. Presumably, it was partly in recognition of the current public interest that as Minister for Education, she asserted that the government does not favour the charging of fees for tuition. It is not at all clear, however, that without tuition fees public institutions can do all that private institutions could do. Nor is it fair to represent 'private' as related necessarily to profit making or to assume that public accountability belongs only to government funded institutions. She claimed that no new private institutions were being established but their number was falling in the United States and that there was no profit involved. Harvard was not a private institution in the Bond sense. (Actually, Harvard might be said to be a public institution in terms of the columns of Karmel's matrix, for it was founded by the General Court of Massachusetts, the nearest thing to a state legislature in 1636.) I am not sure that she correctly represents the values that Don Watts espoused in regard to wealth creation. Not that the university would create wealth, I understood him to say, but that through a non- profit venture it would hope to enhance the capacity of others to create wealth. I see public institutions doing much the same thing but perhaps with less of that value emphasis.

Watts referred to a working relationship with the private sector of the economy and some of its values. We should not expect that to apply only to research contracts and the like. When he referred to sharing the values of the private sector and especially to a positive attitude to the creation of wealth, there is more than a suggestion of that kind of neglect of certain functional or cultural tasks in the public system that Geiger gave as a condition favouring development of private institutions. Bond University is represented as being intended to meet a need identified by business that is not being met adequately by the present public system. When Watts says that he hopes Bond University will provide a private yard stick to higher education in Australia, one imagines that the kind of corporate image he intends to project for the institution will be intended not only to contrast with but to challenge the public system and in that sense to strengthen an alternative set of values more widely than in his own institution. Its mission is social and political, not market oriented in the narrow sense implied by critics of profit making values in education, but it is aimed at more fundamental aspects of their concerns.

The Watts type of emphasis on leadership and general social influence differs from that notion of an elite that is associated with creaming off the best students either for profit or through a widespread failure of the public system. He certainly wants good students of the highest quality, but clearly quality is understood on a somewhat different dimension. Bond University would not be offering higher rewards of the same kind as one might obtain from the public system. The message is that those who are prepared to pay may buy something different which will position them differently in the market place for employment in the private sector.

Insofar as private enterprise values are applied to the public system scope for private institutions expressing the same values may be reduced, while an opportunity may arise for private institutions of a different kind. Would those who seek the same values as might be offered in a private university sympathetic to business then look to the public system? The same opening might not be there for private institutions unless the creation of such institutions is part of the plan to achieve those goals. It also raises the possibility that other values may be neglected and a niche created for their achievement in a different kind of private institution.

Who would put their money into such a different kind of private sector? Given that theological education is presently the only significant form of degree level education that is to a large extent excluded from the public system, the possibility of a service oriented private sector developing with church support should not be ruled out. It would probably be based on existing institutions. The Melbourne College of Divinity (MCD), for example, is a statutory authority established by act of the Victorian Parliament in 1910. It has 1300 students enrolled in undergraduate and postgraduate courses; they are mainly taught in associated teaching institutions one of which is the United Faculty of Theology based at Ormond and other colleges in the University of Melbourne. The largest of the four associated institutions are two Catholic theological colleges. About

two thirds of the students are 'private students', not candidates for ordination in one of the churches. Its degrees have an international standing sufficient for some graduates to have proceeded successfully to places like Cambridge and Princeton, but it receives no government funding and its students are not even eligible for AUSTUDY. There is a niche here of the kind Geiger indicated, where cultural tasks are being neglected by the public sector.

There is the chance that narrow conservative Pentecostal or fundamentalist groups might also seek an alternative to public institutions through their alienation from the main stream of society. That would be a very limited commitment to the idea of a university and not of the kind compatible for the most part with the values of openness to the world and tolerance of the full spectrum of ideas that are typical of university life. On the other hand, the main stream Christian Churches may well have both the interests and the capacity to develop an open, service oriented, ecumenical type of university, espousing values which differ from both the business sector and a centrally planned secular system. It need be no less compatible with traditional academic values than other inspirations for a university. In such a development the churches would be giving expression to values strongly held by perhaps a third of the Australian population but which are at present largely neglected in the public system and in the business world.

National vs. Regional Interests

Senator Ryan saw problems for the free market idea in the regional character of Australia and the importance of regional institutions. The prospects for a private sector and for the success of private initiatives to attract students in the public sector will depend to some extent upon the operation of market mechanisms that are national in scope. It is said that there is no national market for higher education in Australia: commentators frequently claim that there are local or regional markets, particularly within states, and that there is competition most notably within the metropolitan areas of Melbourne and Sydney. There is no significant movement between the states even at the graduate level. The state governments have an interest in regulating institutions in such a way as to meet local or regional demand. Convenience of access through their being at the centre of a transport network is often put forward as an explanation for the attractiveness of the older universities and institutes of technology, in contrast to their academic standing. The inference is that those mechanisms which depend upon product advantages are not likely to be effective. Whatever the strength of that argument now, and it is not obviously strong, I see two contrary trends developing that will make it weaker. On one hand there are reasons to expect greater state government involvement with an emphasis on meeting local needs, while on the other external economic and social factors favour greater mobility in Australia.

There is likely to be a greater interest on the part of state governments that will probably mean more state funding, because of the importance of higher education to other aspects of state policy. If the Federal Govern-

ment is not meeting needs which are politically important to a state government then it seems to me that that state is going to be forced to act as the Victorian Government has begun to act in the last two years through their funding of additional places. On the other hand, it is inevitable that people will become more mobile even between the relatively isolated Australian metropolitan centres. Many of the major commercial institutions have a strong national rather than regional orientation. People travel for recreation much more than they used to. Mobility between the states for purposes of employment or retirement seems to be greater now than it was for some decades, although of course in an earlier period of Australian history there was a good deal of mobility between the colonies.

Even now applications for interstate admissions are not negligible. This year the Victorian Tertiary Admission Centre handled 3000 applications based on interstate HSC qualifications compared with 20,000 who qualified for university entrance on the basis of the Victorian HSC; they represented 7% of all applicants. Of course their interest was not spread evenly across all institutions, and they tended much more than other applicants to reject offers. Presumably they were interested in making the move interstate only if they gained entrance to specific courses, but the numbers are sufficient to indicate a potential that has not yet been realized. External studies already tends to operate in a national market and must help to make people more aware of institutions at a distance. I see the possibility of a different national ethos with at least enough mobility to affect the thinking of the managers of the more prominent and more adventurous institutions. Some institutions will probably aim to serve a local market more effectively and perhaps to give preference to local applicants, while others will see themselves as operating in a national student market in at least some respects, just as they see themselves as being in an international market place in competition for academic staff and research achievements.

In some respects state initiatives will tend to limit the development of a national market; but the promotion of different roles for different institutions with some having a clearly regional character and others less so, could enhance the national character of others, especially if they depend more on private sources of income. State financial support is, to some extent, an alternative to the development of private initiatives for the same purpose. It is quite possible that the Australian states will differ in this respect. Some may prefer to promote the development of private institutions, as the Queensland Government might be said to have done by legislating for the establishment of Bond University. In the debate so far, the principal opposition to such a prospect has come from those who claim that a government administered public sector monopoly is the best means of ensuring broad access to the benefits of higher education. On the question of equity Geiger claimed that public-private differences were irrelevant. He was challenged but pointed to the efforts made in the United States by both public and private institution to be inclusive. The inference is that national culture counts, that public values rather than particular mechanisms are the dominant factor.

The Range of Entrepreneurial Activities

In regard to income from consulting, Watts saw Australian universities and institutes of technology as ideally placed to serve a high skill research market. There is a good deal in common between consulting services and the provision of continuing education on a fee for service basis. Both are means of making university resources available to the public as a form of knowledge applied to specific and limited purposes of particular clients. In Watts' view there were advantages in a number of such income earning initiatives. These sources of income are in the same category as research contracts; others like management services might be added. He saw advantages beginning to flow to Curtin University from their Singapore investment in courses designed for private overseas students. It was important, he believed, that institutions describe their mission and set priorities within a broad range of possibilities.

Discussion pointed to a possible shake out at the top end of TAFE regarding some courses overlapping with CAEs. Continuing education in such fields is a very likely area for entrepreneurial activity which could give rise to disputes requiring government intervention. It was observed in discussion that overseas students and contracts with developing countries for teaching vocational skills had helped to raise profiles and lead to better teaching in some CAEs. There were many rewards, both social and financial. Ken Back referred to ADAB paying full fee rates for courses and to World Bank contacts being realistic. Indeed, Back's paper gave a good deal of useful information that was well received as providing acceptable opportunities for new initiatives. A minor point that could have general policy implications is that with some courses the so called full fee and even perhaps marginal cost rates may be less than the overseas student charge. If that happens there would be a collapse of the so called subsidized scheme.

In answer to a question Susan Ryan drew attention to the 150% tax incentive that is now available for industry funding of research in universities and CAEs. How much benefit really comes from an attempt to shift the burden to the private sector by having it subsidized to that extent? Presumably the purpose of the 150% deduction is to encourage industry to engage in research, but the cost to the Commonwealth would be little more if the research were funded by granting funds directly. It is a way of making institutions use some of their resources, particularly capital and equipment resources, for the benefit of industry rather than for other purposes; but the research is sold at a price, through the tax system, that might be questioned when it is compared with other funds available for research.

Geiger said universities should avoid just providing a service but should see that where there is a vested interest contracts have a degree of patronage, in effect, by producing research facilities and training beyond the immediate service offered. Academic staff having time to earn extra income where an agreed proportion of time is available seems to work rea-

sonably well in traditional discipline areas but can be difficult in fields like management where abuse is easier and guidelines fewer.

Treyvaud, describing the steps taken by the Northern Rivers CAE in a private initiative in conjunction with commercial interests on the New South Wales north coast, claimed that their efforts were motivated not by commitment to the value of private education but by way of defence against public neglect. They were forced to consider alternative sources of funding as a matter of institutional survival. The range of market possibilities was explored in depth and they saw a potential return to developers of accommodation on the coast through a joint venture. Details in the relationship between the developer and the institution were worked out with a good deal of care and there may be something to be learnt from those details by others contemplating a similar development. Basically, they seemed to want to combine commercial flexibility with academic excellence through CAE control of all academic activity.

In question time, public acceptance or rejection of private initiatives became an issue. For example, tax exemption was an important consideration in the relationship of the Northern Rivers college with the developer, as it is in the Bond University development. Watts made reference to the earlier Yanchep development in Western Australia and claimed that there was now much greater public readiness for the idea of private institutions being established or of private extensions or affiliates of public institutions because the idea of placing a private value on education was now more acceptable. The possibility of returning to the Whitlam era was seen to be unrealistic and to involve constitutional anomalies. That might be so, for institutional expectations, but we are still living essentially in the Whitlam era as far as the methods of funding undergraduate education are concerned. The only exceptions are the founding of Bond University, which has yet to enrol any students, and the recent changes in funding arrangements for overseas students. There is clearly more scope for initiatives in other areas than regular undergraduate education.

Structural Consequences and Changes of Character

In a strange way, new light was thrown on the future of the binary system. Watts, as the newly appointed Vice Chancellor of Bond University, was careful to emphasize the catholicity of interests that necessarily belongs to the traditional idea of a university. He was asked about the possibility of private institutions concentrating more on profitable courses. He acknowledged that there had always been special purpose institutions, but while special purpose institutions must of necessity respond to market forces he believed that a private university must be a full university in the sense that it should cover the full spectrum of major disciplines. He did not apply the same idea to colleges, and thus, strangely in view of his influence on the breakdown of the binary system from his leadership at the WAIT and its transformation into Curtin University, he thought it would be good if all colleges could aspire to be colleges with prestige, concentrating in particular fields of knowledge without trying to be universities. Universities, on

the other hand, should redistribute income between fields to subsidize programs that do not compete. Otherwise, he said, they are not universities. That is an interesting point in regard to any private initiatives. Who has responsibility for balanced development? At the system level it is a responsibility that was once given to the Universities Commission and has been inherited by CTEC. As things have developed the Commission has acted for balance between the states, regions, and various interest groups but primarily with regard to balance in the system. Balance within the institutions is a different matter. Profiles should be expected to differ, but few of the new universities developed under the guidance of the Commission have a balanced coverage of the fields of study and current pressures on the older universities are tending to make them less balanced than they were. Watts would see that private institutions themselves, if they are to be universities, have a responsibility to do what CTEC has not done.

On the question of market driven changes of course offerings Scott believed that much depend on how decisions are made within the institutions: for example, how would it be decided whether to maintain foreign language teaching, would it be given up as costly when there was greater demand for other subjects? Even if additional revenue (beyond cost recovery) were raised by responding to external demand, there was doubt about whether financial gains could be reallocated. Managers of public institutions would be likely to use untied resources available to them from private sources to increase their flexibility at the margins. Balance may be one criterion of allocation. The generation of even a small proportion of funding from a source which allows more discretion will be favoured by administrators but the incentive for moving towards balance will be limited by other imparatives for investment, especially in the less developed institutions.

According to Scott responsiveness to private sources of income, especially from contracting for services, would bring about further break down of the binary system by changing the way university academics go about their work. Scholarly standing and productivity might be seen differently by a new management. Star players would be valuable to the institution but the morale of others could be low.

Geiger has argued that co-operative relations between industry and universities are not likely to result in serious abuses of the academy where well informed large institutions are involved on both sides. He saw it as a relatively limited source of income in the US where industrially sponsored university research has only been about one tenth as large as voluntary giving to all American colleges and universities. Unfortunately, he acknowledges and we must agree that no feature of the American system would be more difficult to transplant than the culture of private giving. One of the institutional conditions favouring support from donors that does seem to have a parallel in Australia is what he called 'regional identification and service', but that raises a nice question about the fund raising potential of those institutions which tend in a differentiated market to move towards a national view of their role. They may be attractive to students, but how

can they move to a national position without sacrificing that kind of local support?

Geiger claimed that merely shifting the relative burden from one group to another would almost certainly produce under- investment. If increased investment overall is needed, the question is how to prevent private funds becoming a substitute for reduction in public expenditure. The recently introduced 'higher education administrative charge' is a disturbing omen in that respect. It has been set up as a substitute for Commonwealth outlays and functions as an alternative form of taxation. It is the worst kind of privatization because it confers little of the benefits to institutions of a new source of income. Technically, the institutions could retain up to 10%, but it offers little by way of increased flexibility.

Discussion following Geiger's paper displayed a good deal of skepticism on the part of listeners concerning the relevance of American experience to Australia. Ideas which emerged with some force were the possibility of shared appointments for academics who had part of their time paid for from other sources, particularly in clinical areas. We already have such arrangements well established.

Ford's paper on the establishment of Bond University described how the Board of Directors of the company will become the Council governing the University. What seemed to be missing was a separation of functions of trustees and academic senate. An obligation to act on relevant advice might be assumed to apply as a general principle of administration and presumably there is a plan for an academic authority but its effectiveness will probably depend upon the traditional academic values brought to the institution by its staff. The act of the Queensland Parliament establishing the university gives it normal powers and places obligations upon it that are expected of public institutions, such as avoiding discrimination, applying gifts on trusts, etc. Significantly, the university is protected from being subject to direction by 'any person'. It seems to be protected from any power which might be exercised by owners of company shares and also from Government influence. Note that the founders of Bond University sought an Act of Parliament and were not prepared to rely upon company law, and that State Government thought it desirable, although in Victoria there are major institutes of technology which were constituted many years ago as companies limited by guarantee. They are public institutions in their methods of funding and in law in the sense that they are listed in appropriate schedules to state and federal acts.

The sense in which Bond University is a private institution was questioned in comparison with RMIT and the fact that it operates under an act of parliament. Its status would appear to depend very largely on its method of funding rather than its mode of constitution. Contrary to first impressions, in this sense it is a private initiative defined more in terms of the rows than the columns of Karmel's matrix.

I have assumed that basic values of the community will remain relatively stable, but Roger Scott feared serious disruption and even abandonment of the set of values which is most traditional in universities in favour

of another associated with business. He saw the possibility of academics being distracted from the basic tasks of undergraduate teaching, of the concentration of research in market driven areas. Unfortunate consequences could include the difficulty of institutions managing intellectual property and a betrayal of scholarly values in the suppression of information. The type of management required would tend towards the development of hierarchical rather than collegial models of decision making, and the possible emergence of two tracks for promotion with one related to market situations rather than to research output and qualifications. The balance between disciplines could be upset so that one kind of response to public interest could result in a lack of response to public need in another respect. In general, market oriented activity may undermine the traditional culture of universities so that administrative values come to dominate. These are serious concerns. One can see at each point how steps could be taken to ameliorate undesirable affects, but the basic defense against abuse in the long run could come only from the cultural base which supports higher education in the society at large. It would take more than the short term narrow interests of unimaginative government or profit making business to change that base.

Some of the points made in discussion of the internal consequences of public institutions becoming more responsive to private sources of income would also apply to any private institutions in Australia but there is the interesting question whether public institutions should respond differently or whether, if several kinds of institutions are recognized in a differentiated system, some should be more responsive than others. There was a sense, twenty years ago, in which colleges of advanced education were intended to be more responsive than universities. TAFE is still seen as necessarily responsive to the need of individuals for vocational training and the skill requirements of industry. In a sense what is happening now in universities through research funding, consultancy and continuing education to satisfy special markets is tending to bring to them the same pressures, but it is happening in the institutions where there is academic autonomy, collegial decision making and a general expectation on the part of academic staff that a degree of protection from the external environment will remain. The resulting conflicts could bring about a re-evaluation of some of those traditional features and it would become necessary to establish again those with lasting value. The institutions which undertake that task deliberately have an opportunity to emerge stronger as a result, provided that governments and system managers leave sufficient room to move.

Capacity to develop and transmit knowledge of lasting value regardless of its immediate application does seem to be challenged by the emphasis on responsiveness. The associated capacity to be an independent critic of society could also be reduced. If the principal defence must rest in the broader culture of the society, we should ask how those values can be strengthened by some countervailing force and in particular whether they are likely to be supported by some other feature of the external funding arrangements. The most obviously helpful point is the motivation of donors where

voluntary support is strong, as in the United States where private gifts are often associated with the maintenance of such traditional values. What is the counterpart in the Australian culture? I think it is there in a different form. Whether it be in Furphy's bullock driver who carried his Shakespeare, or the rate of borrowing books from public libraries, or the sacrifices families will make for their children's education, it requires only appropriate circumstances and its identification and enunciation by significant public figures for an overt demonstration. I would not be surprised if people in a position to be heard but who are independent of the higher education institutions find they gain a good deal more public support for such views than the present political climate has lead many of us to expect.

References

Beswick, D.G. (1985) Family Support for Students - Expectations and Realities, *Research Working Paper 85.1*. Melbourne: Centre for the Study of Higher Education, University of Melbourne, 40 pp.

Beswick, D.G. (1987) Trends in Higher Education. In J.P. Keeves (Ed. for the Academy of the Social Sciences in Australia), *Australian Education: Review of Recent Research*, Sydney, Allen and Unwin, pp 205-238. Also published as Trends in Australian Higher Education Research: a General Review, in *Studies in Higher Education*, 12, 120-155.

Beswick, D.G., Hayden, M. and Schofield, H. (1983) *Studies in Tertiary Student Finances, Volume 4. Evaluation of the Tertiary Education Assistance Scheme: An Investigation and Review of Policy on Student Financial Assistance in Australia*. Canberra: Australian Government Publishing Service, 290 pp.

Dunn, T. (1982) Bias in HSC Examination Results, *The Australian Journal of Education*, 26, 190-203.

West, L.H.T. (1985) Differential Prediction of First Year University Performance for Students from Different Social Backgrounds, *Australian Journal of Education*, 29, 175-187.